Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Market and Industry Services Branch
Direction générale des services à l'industrie et aux marchés

# *Poultry Exports*

## *"Market Opportunities and Facts"*

Agricultural Industry Services Directorate
Animal Industry Division
Poultry Section

Direction des services à l'industrie agricole
Division de l'industrie animale
Section de la volaille

Canada

103-01733/

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**January 1999**

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## *Acknowledgment*

The information contained in this document was primarily gathered from the Foreign Agriculture Trade Services, United States Department of Agriculture. Other contributors and associates who validated and up-dated this information were from our various Canadian Embassies and Consulates as well as from Agriculture and Agri-Food Canada, specifically; International Trade Policy Directorate, International Marketing Bureau and Animal Industry Division (Poultry Section).

Information was also gathered and contributed from; the Canadian Food Inspection Agency, Statistics Canada, Chicken Farmers of Canada, Canadian Poultry and Egg Processors Council and Further Poultry Processors, United States Department of Agriculture and the Food and Agriculture Organization (database).

Coordination and initiative to develop this type of document to assist the Canadian poultry industry assess their position and competitiveness to possibly further develop the export market is from the Agriculture and Agri-Food Canada's, Animal Industry Division (AID), Poultry Section. Inquiries, comments or questions concerning the content of this document should be forwarded to Mr. Dave McGonegal, Associate Director, AID at 2200 Walkley Road, Ottawa, Ontario, K1A 0C5, telephone (613) 759-6284 or fax. at (613) 759-6313.

# *PART 1: Markets and Opportunities*

## *Preface*

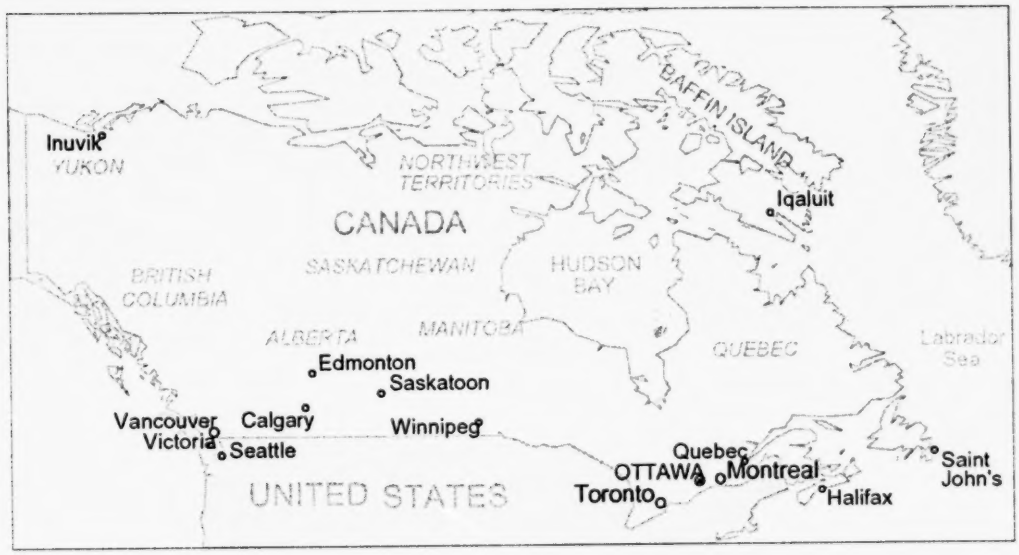
Exporting is crucial to a country's economic health. Increased exports mean business growth and business growth means more jobs. Yet, only a small percentage of potential exporters take advantage of these opportunities. The 1990's have brought the dawn of a new era in worldwide trade. The fall of Communism in Eastern Europe, trade negotiations from the General Agreement on Tariff and Trade (GATT) and the creation of the World Trade Organization (WTO) have resulted in the opening of many markets for existing and potential food exporters .

It is expected (3-5 years) that incomes and population growth worldwide, leading to an increase in the need for meats, will occur. Increased consumption of beef, pork, poultry and other meats will also lead to structural changes within each respective meat sector. Eating preferences of consumers will also affect the volume and form of meat consumption. Consumers worldwide have already indicated their preference to include poultry in their diets. Poultry production has and is expected to increase in most of the developed countries such as Canada, the United States, Asia and Latin America at a rate of 5 - 10%, per annum. Also, the pace of international business is changing quickly. Today's export environment brings with it, greater challenges, opportunities and competition.

World trade in poultry and egg products have been particularly buoyant with total exports doubling between 1990 and 1995. World trade continues to expand with 1997 increasing by 5% over 1996 which is approximately 10% of world production with a projected increase of another 4.8% in 1998 to 5.4 million tonnes. The Canadian poultry industry is in a period of substantial transition. There is a strong grass roots commitment to the future of the industry as is evidenced by the commitment of the industry to research and the serious strategic planning process in progress concerning export marketing. Most provincial chicken marketing boards have addressed exporting product and have developed export policies. Historically poultry and egg products have not been major contributors to Canadian exports, however exports of these products have risen from 9.5 million kg ($24 million) in 1989 to more than 68 million kg ($105.8 million) in 1997. The future and the many challenges to survive and develop are being debated by our Canadian poultry industry leaders.

Therefore, in order to continue growing with world demand, *it is important for the Canadian poultry industry to think globally*. The industry should take the time and make the effort to be aware of the global opportunities that exist. Through exports, the Canadian poultry sector could conceivably increase its profit margins. Other Canadian meat sectors have developed an action plan to address the issue of exporting product. The Canadian poultry sector is just beginning to address this issue.

# Canada




## Basic Information

| | |
|---|---|
| Land area: | 9 220 970 sq. km |
| Population: | 30,286,600 (1997) |
| Total GDP: | CND $866 Billion (1997) |
| Capital city: | Ottawa |
| Prime Minister: | Jean Chrétien |
| Minister of Agriculture: | Lyle Vanclief |

## Canadian- Canada Agri-Food Trade

| ($ Billion CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **20.057** | **22.305** |
| **Total Agri-Food Imports:** | **13.241** | **14.896** |
| **Agri-Food Trade Balance** | **6.816** | **7.409** |

## Canadian Top 5 Agri-Food Exports

| ($ Billion CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **20.057** | **22.305** |
| Non durum wheat | 3.676 | 4.121 |
| Bovine, live, exc. pure-bred breeding | 1.388 | 1.325 |
| Canola seed | 1.035 | 1.262 |
| Durum wheat | 0.978 | 1.234 |
| Barley | 0.786 | 0.652 |

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## Canadian Top 5 Agri-Food Imports

| ($ Billion CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **13.241** | **14.896** |
| Coffee, not roasted, not decaffeinated | 0.393 | 0.518 |
| Food preparations | 0.355 | 0.463 |
| Grape wines | 0.420 | 0.458 |
| Raw cane sugar | 0.435 | 0.383 |
| Beef, boneless, fresh | 0.334 | 0.317 |

## Canadian Top 5 Total Merchandise Exports

| ($ Billion CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **248.441** | **258.418** |
| Motor vehicles, spark ignition, >3000cc | 28.044 | 26.836 |
| Lumber, coniferous wood | 10.521 | 12.089 |
| Crude petroleum oils | 8.996 | 10.594 |
| Trucks, spark ignition, < 5 tonnes | 8.522 | 8.036 |
| Newsprint, in rolls or sheets | 8.315 | 7.679 |

## *ABOUT THE CANADIAN POULTRY INDUSTRY.....*

### *1. Current Situation and Outlook*

Canadian poultry production is expected to advance 4-5% above the 1997 record level of 916,000 (MT) to 955,000 (MT) in 1998, with higher chicken output accounting for most of the increase. Prospects for 1999 point to a further increase in total poultry meat production of about 3% to 986,000 (MT) driven by increasing domestic demand for chicken.

The Chicken Farmers of Canada introduced a new allocation agreement for all ten provinces on June 7, 1998. It marked the first time since 1990 that all ten chicken producing provinces have been signatories to a national production allocation plan.

Canada's federal and provincial agricultural Ministers have agreed to revise the federal/provincial agreements establishing national poultry and egg marketing agencies. The goal is to make the agreements more flexible and to permit the agencies to better adapt to domestic and international market conditions. The target date for implementing the new agreements is December 31, 1999. The poultry and egg marketing boards in Canada's prairie provinces are expected to push for a greater share of national production allocation to exploit their low cost grain advantage and to develop value added processing industries.

Economic slowdown and financial crisis in Asia and Russia have hurt Canadian poultry exports to those regions. Canada's major market for chicken is Cuba and sales are growing annually to this popular winter vacation spot for Canadians. Virtually all Canadian imports of poultry meat, eggs (products) and broiler hatching eggs come from the United States.

The Canadian Turkey Marketing Agency and processors have implemented an aggressive national promotional campaign to increase Canadian turkey consumption. Began in January 1999, radio and television campaigns will attempt to persuade consumers to purchase more turkey and turkey products. The industry's goal is to increase annual per capita turkey consumption by 2 kg to 6.3 kg over a five year period. Any subsequent upswing in Canadian consumption could provide improved marketing opportunities for U.S. ready to eat turkey products.

### *2. Production*

Boosted by increasing chicken output, total Canadian poultry production in 1998 is forecast to expand 4-5% beyond the record 1997 level. Turkey output is expected to fall modestly before rising in 1999 when Canadian turkey producers launch a $1.5 million promotional campaign aimed at increasing domestic consumption. Total poultry production in 1999 is projected to advance at least 3% above the forecast 1998 level reflecting moderate increases for both chicken and turkey.

## Chicken

Responding to increased domestic demand for chicken, Canadian producers aggressively increased output during 1998. Total production in the first seven months of 1998 ran nearly 4.5% above the comparable period last year. Despite pressure to reduce the rate of expansion in the final months of the year due to excessive stock build up, the outlook is for year to year production to increase by about 5-5.5% over the 1997 record level. Prospects for 1999 point to a further expansion of at least 3% above 1998 levels reflecting chicken's strengthening competitive position in the total Canadian meat diet.

**Chicken Meat Production (MT eviscerated weight)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998(p) | 1999(f) |
|---|---|---|---|---|---|---|---|---|---|
| 555,133 | 559,522 | 562,683 | 601,854 | 685,109 | 685,894 | 713,515 | 747,893 | 793,700 | 815,000 |

p: preliminary by AAFC
f: forecast by USDA
Source: Agriculture and Agri-Food Canada

## Turkey

Total Canadian turkey meat production in 1998 is forecast to fall about 2% from a year ago reflecting the Canadian Turkey Marketing Agency's (CTMA) production allocation target which was set to relieve the pressure of burdensome frozen turkey stocks. The major promotional campaign planned for 1999 by the CTMA is expected to result in increased demand, lower stock levels and an increase in annual turkey meat output of about 3%.

**Turkey Meat Production (MT eviscerated weight)**

| 1974 | 1984 | 1989 | 1993 | 1994 | 1995 | 1996 | 1997(p) | 1998(p) | 1999(f) |
|---|---|---|---|---|---|---|---|---|---|
| 102.5 | 95.7 | 119.4 | 127.1 | 132.4 | 141.5 | 146.3 | 141.6 | 138.6 | 144.0 |

p: 1997 preliminary by Canadian Turkey Marketing Agency
p: 1998 preliminary by AAFC
f: forecast by USDA
Source: Agriculture and Agri-Food Canada, Statistics Canada and Canadian Turkey Marketing Agency

**Duck Meat Production (MT eviscerated weight)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 5,202 | 5,148 | 5,518 | 5,908 | 6,216 | 6,530 | 6,952 | 6,950 |

Source: FAO Data Base

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| 5,202 | 5,148 | 5,518 | 5,908 | 6,216 | 6,530 | 6,952 | 6,950 |

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## *3. Consumption*

Poultry meat continues to capture a growing share of total Canadian meat consumption. In 1997, combined consumption levels of poultry meats (chicken, turkey and stewing hen) claimed 35.2% of the total Canadian meat diet, an increase of 6.3% since 1994. The increase in chicken consumption leads the way in the rising preference for poultry meat in Canada, accounting for 28.2% of total meat consumption in 1997. Given prospects for additional poultry meat supplies in the current year, per capita poultry meat consumption in Canada may equal or surpass the per capita disappearance of beef and veal which has traditionally been the meat of choice among Canadian consumers.

**Per Capita Consumption of Meats in Canada (in kgs.)**

| | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| **chicken** | 24.8 | 24.6 | 24.6 | 25.2 |
| **fowl** | 1.4 | 1.4 | 1.7 | 2.0 |
| **turkey** | 4.4 | 4.3 | 4.1 | 4.2 |
| **beef and veal** | 32.7 | 32.8 | 32.4 | 32.0 |
| **pork** | 28.2 | 27.5 | 27.5 | 25.2 |
| **lamb and mutton** | 0.8 | 0.8 | 0.8 | 0.7 |
| **Total Meats** | 92.3 | 91.4 | 89.3 | 89.3 |
| **poultry %** | 33.1 | 33.2 | 34.0 | 35.2 |
| **chicken %** | 26.9 | 26.9 | 27.5 | 28.2 |

Source: Statistics Canada

## *4. Exports*

**Chicken**

Canada's chicken exports reached a record high in1997, reflecting the industry's export policy (run by the provincial marketing boards and overseen by the Chicken Farmers of Canada).

**Chicken Meat Exported QTY (000 kg)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 1,088 | 4,644 | 949 | 1,414 | 12,636 | 33,445 | 33,292 | 43,764 |

Source: Agriculture and Agri-Food Canada

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 1,706 | 5,534 | 2,468 | 4,090 | 11,026 | 30,963 | 34,055 | 63,677 |

Source: FAO Data Base

**Turkey**

Canadian exports of turkey meat, predominantly cuts and edible offal, have increased sharply in recent years as Canadian poultry meat exporters have developed markets for lower value frozen turkey parts surplus to the domestic market. Export destinations for Canadian turkey are similar to those for chicken, including Hong Kong, Russia, China and South Africa. The pace of exports in the January to June period of 1998 lagged that of the corresponding period a year ago reflecting reduced demand in weak economy markets. As a result, total Canadian turkey exports in 1998 are expected to fall by about 10% from the 1997 level and are unlikely to improve in 1999 unless there are improved economic prospects in Asian and Russian economies.

**Turkey Exports (eviscerated - 000kg.)**

| Year | Carcass | Parts | Cooked | Other | Total |
|---|---|---|---|---|---|
| 1984 | 178 | 486 | 17 | 97 | 777 |
| 1989 | 186 | 3,870 | 6 | 1,369 | 5,431 |
| 1990 | 244 | 3,832 | 1 | 1,226 | 5,303 |
| 1993 | 259 | 8,435 | 0 | 237 | 8,931 |
| 1994 | 522 | 9,557 | 28 | 1,028 | 11,136 |
| 1995 | 715 | 9,872 | 31 | 2,751 | 13,369 |
| 1996 | 863 | 11,551 | 104 | 4,064 | 16,581 |
| 1997 | 657 | 11,011 | 14 | 5,694 | 17,376 |

Source: Agriculture and Agri-Food Canada

**Top 6 Poultry Export Countries (in kgs)**

**1995**

| China | Russia | South Africa | Cuba | United States | Hong Kong |
|---|---|---|---|---|---|
| 17,237,895 | 13,980,735 | 12,899,312 | 8,305,652 | 5,168,452 | 1,820,941 |

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|---|---|---|---|---|---|
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**1997**

| China | Cuba | Russia | Unites States | South Africa | Hong Kong |
|---|---|---|---|---|---|
| 28,179,824 | 22,694,507 | 16,193,310 | 6,043,596 | 3,769,264 | 2,199,934 |

Source: Canadian Food Inspection Agency

Note: includes chicken, fowl, turkey and duck products

**Types of Products Exported**

Chicken/turkey portions raw bone in, fowl/duck portions raw, chicken\turkey feet/tails, mechanically deboned chicken/turkey/fowl, chicken legs raw, chicken wings raw, chicken/duck skin, poultry giblets, whole eviscerated fowl/raw turkey, frozen poultry dinners, chicken hindquarters, poultry burgers/nuggets/strips, chicken breasts raw bone in, chicken frames, cooked chicken boneless, whole eviscerated goose, dried smoked cured duck products, cooked & prepared other poultry products, poultry bones, chicken extract and others.

Note: Prince Edward Island is the only province not to have exported product.

There is no Tariff Rate Quota (TRQ) on live fowls or fowl meat, and the market for U.S. fowl in Canada continues to expand. Technical advances in mechanical deboning make fowl meat a practical substitute for broiler chicken in certain further processed items and have further advanced the demand for U.S. fowl meat.

## *5. Imports*

**Chicken**

The United States is virtually the sole supplier of Canadian chicken imports. Under the FTA/NAFTA, U.S. access to Canada's chicken market is based on 7.5% of the previous years' Canadian production of chicken. During periods when domestic supply is tight, Canada allows supplementary imports from the U.S. at the free NAFTA rate. Since the implementation of the FTA in January 1989, Canadian imports of chicken from the U.S. have generally exceeded the access level (under the trade agreement formula) due to supplementary imports. Under the WTO, quantitative restrictions were converted to tariff rate quotas (TRQ). Canada applies tariffs to over access chicken imports unless a supplementary permit is issued. For 1997, rising Canadian chicken production reduced issuances of supplementary chicken imports from the U.S. from prior years' levels. For 1998, the U.S. access level for chicken is approximately 57,000 metric tons. Under the trade agreement formula, rising Canadian chicken production in 1998 will result in a increase to U.S. access in 1999 to about 59,000 metric tons.

**Chicken Meat Imported QTY (MT) (includes mature chicken)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997e | 1998a |
|---|---|---|---|---|---|---|---|---|
| 35,879 | 34,163 | 41,501 | 43,822 | 43,501 | 41,659 | 49,619 | 71,564 | 75,000 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 63,909 | 70,379 | 85,128 | 86,458 | 89,148 | 88,245 | 90,026 |

Source: FAO Data Base

**Turkey**

All Canadian turkey imports are from the United States. Under the WTO, access to Canada's turkey market is covered by Tariff Rate Quotas. These TRQ's rise to a level of 5,588 tonnes, eviserated product basis, in the year 2000. High tariffs apply to over access turkey imports unless a supplementary permit is issued. Issuances of supplementary imports are normally very limited.

**Turkey Imports (eviscerated - 000kg.)**

| Year | Live | Carcass | Parts (1) | Cooked (2) | Other (3) | Total |
|---|---|---|---|---|---|---|
| 1984 | 604 | 335 | 692 | 99 | 8 | 1,738 |
| 1989 | 1,240 | 165 | 1,161 | 84 | 96 | 2,746 |
| 1993 | 1,831 | 278 | 1,291 | 163 | 10 | 3,573 |
| 1994 | 1,753 | 80 | 1,652 | 155 | 90 | 3,728 |
| 1995 | 1,984 | 31 | 1,290 | 214 | 257 | 3,776 |
| 1996 | 698 | 180 | 1,463 | 260 | 385 | 2,985 |
| 1997 | 939 | 0 | 2,729 | 337 | 407 | 4,412 |

(1) Parts includes bone in and boneless
(2) Cooked includes bone in and boneless
(3) Other includes bone in and boneless

Source: Agriculture and Agri-Food Canada

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| China | Russia | Cuba | South Africa | United States | Hong Kong |
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## *5. Imports*

**Chicken**

The United States is virtually the sole supplier of Canadian chicken imports. Under the FTA/NAFTA, U.S. access to Canada's chicken market is based on 7.5% of the previous years' Canadian production of chicken. During periods when domestic supply is tight, Canada allows supplementary imports from the U.S. at the free NAFTA rate. Since the implementation of the FTA in January 1989, Canadian imports of chicken from the U.S. have generally exceeded the access level (under the trade agreement formula) due to supplementary imports. Under the WTO, quantitative restrictions were converted to tariff rate quotas (TRQ) Canada applies tariffs to over access chicken imports unless a supplementary permit is issued. For 1997, rising Canadian chicken production reduced issuances of supplementary chicken imports from the U.S. from prior years' levels. For 1998, the U.S. access level for chicken is approximately 57,000 metric tons. Under the trade agreement formula, rising Canadian chicken production in 1998 will result in a increase to U.S. access in 1999 to about 59,000 metric tons.

**Chicken Meat Imported QTY (MT) (includes mature chicken)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997e | 1998a |
|---|---|---|---|---|---|---|---|---|
| 35,879 | 34,163 | 41,501 | 43,822 | 43,501 | 41,659 | 49,619 | 71,564 | 75,000 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 63,909 | 70,379 | 85,128 | 86,458 | 89,148 | 88,245 | 90,026 |

Source: FAO Data Base

**Turkey**

All Canadian turkey imports are from the United States. Under the WTO, access to Canada's turkey market is covered by Tariff Rate Quotas. These TRQ's rise to a level of 5,588 tonnes, eviserated product basis, in the year 2000. High tariffs apply to over access turkey imports unless a supplementary permit is issued. Issuances of supplementary imports are normally very limited.

**Turkey Imports (eviscerated - 000kg.)**

| Year | Live | Carcass | Parts (1) | Cooked (2) | Other (3) | Total |
|---|---|---|---|---|---|---|
| 1984 | 604 | 335 | 692 | 99 | 8 | 1,738 |
| 1989 | 1,240 | 165 | 1,161 | 84 | 96 | 2,746 |
| 1993 | 1,831 | 278 | 1,291 | 163 | 10 | 3,573 |
| 1994 | 1,753 | 80 | 1,652 | 155 | 90 | 3,728 |
| 1995 | 1,984 | 31 | 1,290 | 214 | 257 | 3,776 |
| 1996 | 698 | 180 | 1,463 | 260 | 385 | 2,985 |
| 1997 | 939 | 0 | 2,729 | 337 | 407 | 4,412 |

(1) Parts includes bone in and boneless
(2) Cooked includes bone in and boneless
(3) Other includes bone in and boneless

Source: Agriculture and Agri-Food Canada

## 6. Policy Highlights

**New National Quota Allocation Agreement for Chicken**

Following nearly a year of negotiations among the ten provincial marketing boards, the Chicken Farmers of Canada, the national agency representing chicken producers, implemented a new allocation agreement for all ten provinces on June 7, 1998. It marks the first time since 1990 that all ten chicken producing provinces have been signatories to a national production allocation plan. Under Canada's supply management system for chicken, national production allocations are set for each 8 week production cycle. The new agreement is highlighted by four elements:

1. The formal adoption of the bottom up approach that has been used in recent years whereby production levels are driven by processors' requirements,
2. A national cap on production increases of 5% with flexibility for provinces to grow individually to 8%,
3. Requires an industry wide majority to change the cap, and
4. A provision for provinces to request special consideration (for additional production allocations) under exceptional circumstances.

**Export Policy**

The Chicken Farmers of Canada (CFC), administers a national chicken export policy program within which provincial commodity boards develop and manage their respective export programs to benefit Canadian chicken producers. The Agency's objective is to facilitate the planned exports of chicken and chicken products in a manner which does not disrupt the Canadian domestic market and is consistent with Canada's international trade rights and obligations. Export programs are used in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia.

The CFC's role is to:

- ensure the monitoring and auditing of all exports under the CFC export policy, the Canadian Chicken Licencing Regulations and the provincial export programs,
- ensure that all provincial export programs are consistent with Canada's international trade rights and obligations and,
- monitor each province's export program. Any concerns regarding the compatibility of a provincial export program to the Agency's export policy will be reported to the Agency's Board of Directors for appropriate action.

The role of Provincial Commodity Boards are:

- to follow the provisions contained in the CCMA export policy and the Canadian Chicken Licensing Regulations,
- ensure that export quota production is only undertaken by regulated chicken producers,
- ensure that export quota product is only marketed to a federally inspected primary processor holding a valid export licence,
- ensure that the allotment of export quota for its export program does not exceed 8% of the province's domestic quota allocation for the quota allocation period concerned.

- maintain good communication with the Agency during all stages of the development of its export program,
- ensure a high level of transparency in the application of its export program,
- ensure that its export program is consistent with Canada's international trade rights and obligations and
- file its export program with the Agency and notify the Agency of any changes.

## *7. Marketing Highlights*

**Market Access**

Due to the wide wholesale price differential between U.S. and Canadian poultry meat, Canadian demand for U.S. poultry remains strong. World market access for live chicken and chicken meat to Canada is determined by access levels agreed to under the Canada/U.S. Free Trade Agreement (FTA). Market access for live turkey and turkey meat is determined by the World Trade Organization agreement. For additional information, consult http://www.dfait-maeci.gc.ca/~eicb/notices/SER509-e.htm

The levels negotiated under the North American Free Trade Agreements (NAFTA) are higher than the levels established under the World Trade Organization (WTO) and thus prevail. Under the NAFTA, it has been negotiated that 7.5% of domestic chicken needs can be sourced from the United States.

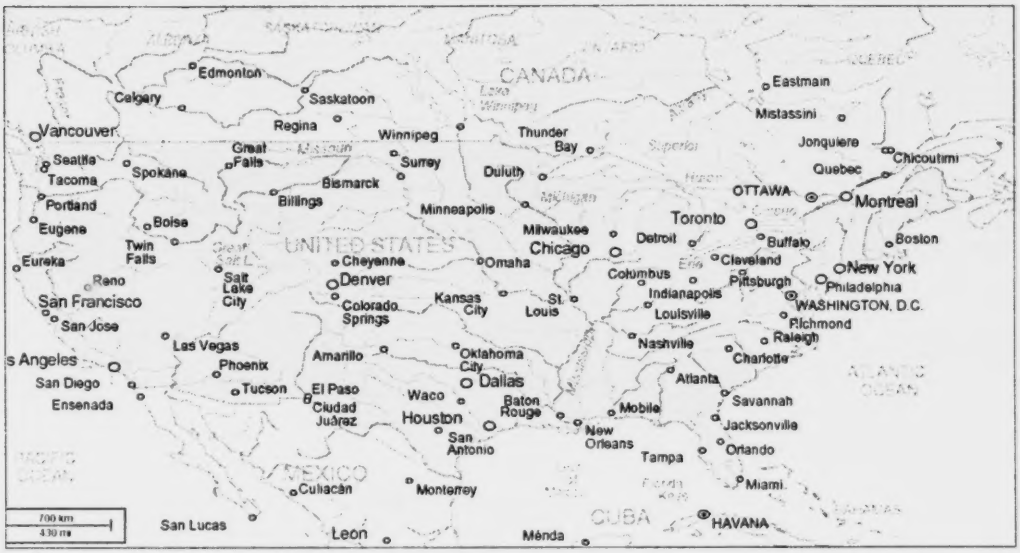
## *8. Health and Labelling Import Requirements*

U.S. exports of fresh and processed poultry meats to Canada must comply with the health, inspection, packaging and labelling regulations for poultry detailed in Canada's Meat & Poultry Inspection Regulations. To be eligible to export poultry meat and poultry meat products to Canada, U.S. exporters must ensure that the product:

- originates from USDA federally inspected premises
- is approved for export to Canada by USDA's Food Safety Inspection Service
- conforms to limitations on package sizes for certain processed meats
- meets recipe disclosure requirements for formulated products
- meets bilingual (english / french) and metric labelling requirements for retail products
- identifies country of origin on label

Schedule II of Canada's Meat Inspection Regulations stipulates the standard package size requirements for processed poultry products such as sausages, sliced meats and poultry wieners. The Internet Site where this schedule can be found is:
http://www.cfia-acia.agr.ca/english/actsregs/meatreg/home.html

# United States




## Basic Information

| | |
|---|---|
| Land area: | 9 166 600 sq. km |
| Population: | 266 476 278 (1996) |
| Total GDP: | US $8,083.4 Billion (1997) |
| Capital city: | Washington |
| President: | William J. Clinton |
| Minister of Agriculture: | Dan Glickman |
| Canadian Ambassador: | Raymond A.J. Chrétien |

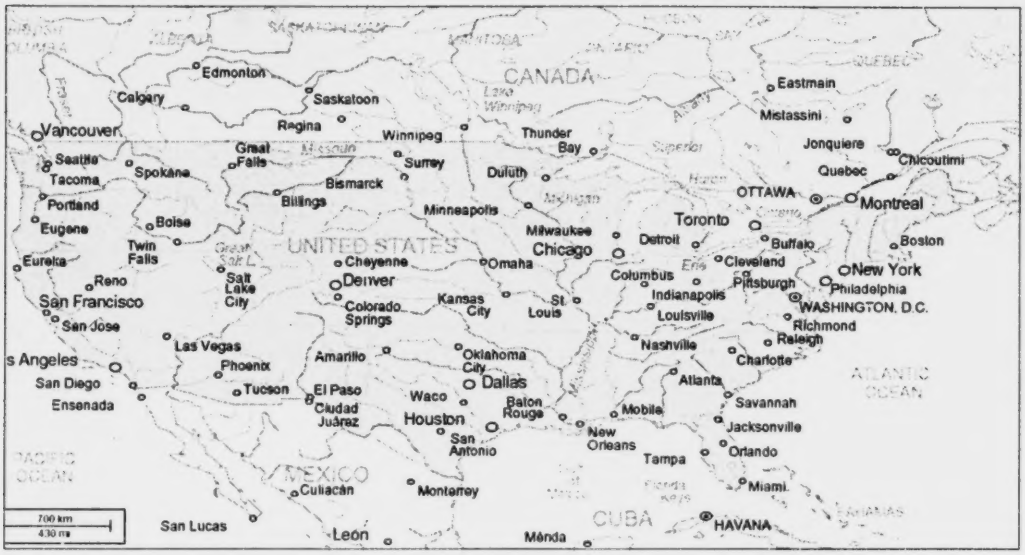
## Canada-U.S Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **10,259.179** | **11,433.054** |
| **Total Agri-Food Imports:** | **7,907.109** | **9,040.433** |
| **Balance of Trade:** | **2,352.070** | **2,392.621** |

## Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **10,259.179** | **11,433.054** |
| Bovine, live except pure-bred breeding | 1,387.734 | 1,325.199 |
| Whiskies | 461.186 | 463.703 |
| Beef, boneless, fresh | 227.564 | 426.553 |
| Live hogs >50 kg | 350.700 | 394.282 |
| Non-durum wheat | 267.102 | 393.373 |

# United States

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| Non-durum wheat | 267.102 | 393.373 |

## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **7,907.109** | **9,040.433** |
| Food preparations | 307.894 | 387.219 |
| Beef, boneless, fresh | 329.332 | 304.735 |
| Dog or cat food, for retail sales | 258.925 | 264.626 |
| Biscuits and crackers | 240.124 | 261.662 |
| Soybean oil cake & residues | 240.522 | 253.380 |

# U.S Agri-Food Imports

**Total Agri-Food Imports from the World (1996) : US $37.9 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Coffee, caffeinated or decaffeinated | 3,009.610 | Colombia |
| Fruit, fresh or dried | 2,104.144 | Costa Rica |
| Spirits & liqueurs | 2,007.180 | UK |
| Live animals of the bovine species | 1,505.495 | Canada |
| Vegetables, fresh | 1,318.536 | Mexico |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **196,492.000** | **210,071.000** |
| Vehicles spark ignition, > 3000cc | 27,762.000 | 26,567.000 |
| Crude petroleum oil | 8,971.000 | 10,487.000 |
| Lumber, coniferous wood | 7,153.000 | 8,916.000 |
| Truck, spark ignition | 8,506.000 | 8,013.000 |
| Vehicles spark ignition, 1500-3000cc | 4,918.000 | 7,143.000 |

## *ABOUT THE UNITED STATES POULTRY INDUSTRY.....*

### *1. Current Situation*

Both the food and non-food sectors are experiencing globalization of production and increased trade levels. Agriculture is one of the few U.S. industries that has consistently shown a trade surplus and has done so since 1960. Modern technology is enabling even greater opportunities for trade in agricultural products as a result of better product preparation and handling, as well as more efficient, affordable transportation. The United States is the world's largest agricultural exporter and one of the leading importers. U.S. agricultural exports in 1997 totaled more than S57 billion and imports exceeded S35 billion. Trade has been increasing in both directions.

Specifically in agriculture, expectations of lower U.S. meat exports due to the Asian financial crisis have not been realized in 1998 with shipments through August up 11% over last year. The overall value of meat and related products, however, is down 3% to date due to lower per unit values. Abundant U.S. meat supplies in 1998, low domestic prices, combined with selective importer buying of cheaper meat cuts, have dampened overall meat export values. The strong pace of U.S. red meat and poultry exports is likely to slow over the remainder of the year as U.S. meat exporters deal with the effect of the devaluation of the Russian ruble. This combined with anticipated slower demand from Japan the U.S.'s leading export market for meat products is leading to 1998 meat exports projected at 4 million tons, only marginally above 1997.

Through the first 8 months of 1998, U.S. red meat and poultry meat exports were more than 2.9 million tons, 11% higher than a year ago. Pork and broiler exports have experienced strong gains, while beef has advanced more slowly. U.S. poultry exports which began 1998 with a bang may end with a whimper as trade with Russia, the U.S.'s largest export market, grinds to a halt. Overall, poultry meat exports through August at 1.8 million tons, came in at a healthy 9% increase over 1997. However, a fall off in trade over the last four months of 1998, due to constrained demand from Russia, is expected to limit overall exports in 1998 to 2.5 million tons, 2% lower than 1997's record.

Total red meat and poultry exports in 1999 are projected to decline nearly 2% to 3.97 million tons. While shipments of red meat are forecast up marginally in 1997, uncertain prospects for a recovery in the Russian economy are prompting a projected decline in U.S. poultry meat exports to 2.4 million tons.

### *2. Production*

This overall gloomy export outlook is weighing on a U.S. poultry industry that entered 1998 with low feed costs and a robust export outlook. Ironically, factors that have contributed to market condition, such as disease issues and hot summer weather, have left the industry faced with a relatively tight supply situation. After a decade of experiencing annual average output gains of 5%, the U.S. broiler industry is looking at less than a 2% production gain in 1998. This has

pushed whole bird prices up 20% over last year, while the 25% decline in feed costs through September maintained net margins at a healthy S.22 cents/pound.

While the broiler industry is hard hit by the Russian crisis, margins continue to be higher than average due to disease and weather factors that have limited production gains. U.S. broiler production in 1998 is estimated at 12.5 million tons, a less than 2% increase over 1997 and the slowest gain in 15 years. The effect of the halt in trade to Russia has led to a dramatic slide in U.S. leg quarter prices from S.36 cents/pound in mid August to S.20 cents/pound in mid October. However, overall margins continue to be robust, supported by relatively strong white meat prices through mid October.

**Total Poultry Meat Production (MT in 000's)**

| 1994 | 1995 | 1996 | 1997 | 1998(p) | 1999(f) |
|---|---|---|---|---|---|
| 13,206 | 13,786 | 14,522 | 14,951 | 15,088 | 15,750 |

**Chicken Meat Production (MT in 000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 8,667 | 9,194 | 9,801 | 10,219 | 10,965 | 11,482 | 12,072 | 12,574 |

**Turkey Meat Production (MT in 000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,047 | 2,088 | 2,167 | 2,176 | 2,239 | 2,297 | 2,478 | 2,499 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 44,118 | 42,455 | 39,572 | 44,583 | 43,400 | 42,200 | 44,000 | 44,000 |

Source: FAO Data Base

## *3. Consumption*

The double digit consumption and trade gains for poultry meat witnessed over the early 1990's are likely at an end. However, the gloomy outlook for 1998 and 1999 is likely to be temporary with trends in consumer behavior and the lower relative prices of poultry meat compared to other protein sources prompting a continued expansion in demand for these products over the next decade. Economic and population growth, combined with a growing demand for convenience food will likely support annual world growth for poultry meat at the 3 to 4% level over the next

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decade. The poultry industry's demonstrated ability to respond to consumer demand by expanding product lines with high value added products will allow exporters in the U.S. to continue to compete effectively with exporters of both pork and beef.

Uncertainties plague the outlook for the poultry meat sector in 1998 and 1999, as financial crises ripple across the globe, constraining consumption gains in many emerging markets and putting the brakes on trade in poultry meat. Slowing from the 5% annual consumption gains experienced by the global poultry complex since the mid 1980's, consumption by selected countries in 1998 is estimated to increase to 53 million tons, up only 4% over 1997. This slowdown is fueled by slow consumption gains in developed regions as well as a steep drop in Russia and a relatively stagnant outlook for Asia.

Prospects for 1999 are slightly more optimistic with output and demand increasing 3 and 4% respectively. Most of the consumption growth, however, is expected in the United States with growth in other selected countries up only 2%.

Although a number of consumers claim not to eat meat, the newest statistics from the U.S. Department of Agriculture (USDA) and private sources find that virtually all American (99%) eat meat and 94% eat red meat. In fact, contrary to popular opinion, consumers are eating more meat than they used to, not less. Total per capita consumption of meat, poultry and fish has increased by 16 pounds over the past decade. This means that the average person has increased his or her total meat consumption by more than 1.5 pounds a year since 1985.

**Per Capita Consumption of Poultry Products (in kg.)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1988(p) | 1999(f) |
|---|---|---|---|---|---|---|---|---|---|
| 39.5 | 41.2 | 42.6 | 44.6 | 45.3 | 45.1 | 46.1 | 46.6 | 47.8 | 49.3 |

**Average Annual Per Capita Consumption of Meat (retail weight in kgs.)**

| Year | beef | pork | veal | lamb | total | chicken | turkey | poultry | total |
|---|---|---|---|---|---|---|---|---|---|
| 1980 | 34.7 | 26.0 | .7 | .6 | 62.0 | 22.1 | 4.7 | 26.7 | 88.7 |
| 1985 | 35.9 | 23.5 | .8 | .6 | 60.9 | 24.5 | 5.3 | 29.8 | 90.7 |
| 1990 | 30.8 | 22.6 | .5 | .7 | 54.5 | 28.5 | 8.0 | 36.4 | 90.9 |
| 1995 | 30.6 | 23.8 | .5 | .5 | 55.4 | 31.7 | 8.1 | 40.0 | 95.4 |
| 1996 | 30.7 | 22.3 | .5 | .5 | 54.0 | 33.1 | 8.4 | 40.9 | 94.9 |
| 1997 | 30.2 | 22.0 | .5 | .5 | 53.4 | 33.2 | 8.0 | 41.2 | 94.6 |
| 1998* | 30.7 | 23.9 | .4 | .5 | 55.5 | 33.7 | 8.2 | 42.0 | 97.5 |

Source: USDA
* estimated

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| 1995 | 30.6 | 23.8 | .5 | .5 | 55.4 | 31.7 | 8.1 | 40.0 | 95.4 |
| 1996 | 30.7 | 22.3 | .5 | .5 | 54.0 | 33.1 | 8.4 | 40.9 | 94.9 |
| 1997 | 30.2 | 22.0 | .5 | .5 | 53.4 | 33.2 | 8.0 | 41.2 | 94.6 |
| 1998* | 30.7 | 23.9 | .4 | .5 | 55.5 | 33.7 | 8.2 | 42.0 | 97.5 |

Source: USDA
* estimated

Economists in the United States contend that a major reason why consumption is increasing is because meat has become very affordable. Today, meat purchases take up only 2.2% of the average income. This figure is almost 50% less than 25 years ago when consumers were spending 4.3% of their income for meat purchases. The trend toward increased consumption of chicken and poultry products is expected to continue in 1998 (47.8 kg.) and into 1999 (49.3 kg.). Attractive retail prices coupled with lower production costs and effective marketing will generate the increased consumption pattern.

### *4. Exports*

U.S. agriculture increasingly looks overseas to expand sales and boost incomes. For many farm products, a substantial percentage of domestic production is shipped overseas. In addition, many sectors of agriculture find their sales heavily concentrated in only one or two foreign markets. Given this situation an effective U.S. government - industry partnership to improve access to existing markets and open new markets is critical.

A global environment shaken by economic turmoil in 1998 is having repercussions on all the major poultry meat exporters. The market shocks around the globe, particularly in Asia and Russia are resulting in exports taking a beating, with trade in 1998, expected to drop for the first time in a decade. An estimated 10% decline in imports by selected countries is now expected to reduce 1998 exports to 5.5 million tons. No reprieve is in sight for 1999 and export opportunities are slim as the major markets continue to be characterized by constrained demand.

The U.S. industry continues to dominate the global poultry meat market, supplying 43% of selected country import requirements. Constrained demand however and strong export availabilities from traditional competitors in 1998 will increasingly limit U.S. export gains. U.S. poultry meat exports are likely to increase less than 2% in 1998, reaching 2.6 million tons. U.S. turkey exports are expected to move up 2%, while the gains for broiler meat exports are less.

As poultry meat trade to Russia stops in its tracks, prospects for U.S. exports are eroding with 1998 estimates sliding to 2.5 million tons, 2% below 1997 shipments and the first decline since 1983. A heavy market dependence on Russia and prospects for only a limited resumption in trade to this market implies that this dim outlook will extend into 1999 with exports projected to continue their descent to 2.4 million tons. This is particularly of concern since U.S. broiler meat exports through August 1998 were booming, with total shipments up 16% over the previous year's level. While direct exports to Russia through this period were stable, more than half of the overall trade gains through this time period were generated by U.S. product moving into Latvia, Estonia and Poland, all including the Baltics, has led to a downward revision in the estimate for 1999. U.S. broiler meat exports are now estimated at 2.1 million tons.

Unfortunately there is no reprieve in the making from the world's other largest market, namely Hong Kong and China, where demand is slack. The strong pace of product moving into Mexico, Japan, the Caribbean and South American markets is not expected to compensate for declining Russian demand.

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 529,142 | 582,925 | 698,325 | 917,072 | 1,347,536 | 1,811,954 | 2,129,909 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 542,955 | 638,558 | 681,176 | 799,195 | 1,249,048 | 1,679,267 | 2,089,685 |

Source: FAO Data Base

Turkey exports are not faring any better in 1998, with shipments through August 21% below the corresponding 1997 level. Unusually high demand from Russia through August (up nearly 30%) was not enough to offset the drop off in sales to Hong Kong and China, the U.S.'s second largest turkey market in 1997, after Mexico. U.S. 1998 turkey meat exports are now expected to drop to 191,000 tons, a 30% drop from 1997's record. Relatively robust demand from Mexico in 1999 and declining exports from our major competitor the E.U., support a 1999 forecast of 195,000 tons.

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 28,526 | 46,989 | 77,821 | 96,813 | 112,108 | 122,660 | 171,828 |

**Turkey Meat Exports VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 38,738 | 69,979 | 119,620 | 145,098 | 167,782 | 153,512 | 212,269 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,388 | 5,709 | 5,450 | 4,634 | 4,267 | 5,663 | 4,467 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,593 | 10,518 | 10,699 | 8,602 | 8,264 | 10,588 | 9,219 |

**Value of Top 10 U.S. Export Markets for Poultry ($000's)**

| Country | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Russia | 83,502 | 309,882 | 606,622 | 912,573 | 792,913 |
| Hong Kong | 169,489 | 273,991 | 402,591 | 419,334 | 436,392 |
| Mexico | 205,011 | 228,818 | 164,280 | 208,068 | 227,015 |
| Canada | 164,439 | 162,595 | 169,020 | 169,093 | 201,602 |
| Japan | 141,980 | 172,791 | 171,222 | 171,490 | 133,666 |
| Latvia | 4,188 | 378 | 1,314 | 72,866 | 96,597 |
| Poland | 34,950 | 50,478 | 47,215 | 56,294 | 54,085 |
| China | 17,575 | 23,584 | 33,892 | 60,295 | 52,462 |
| South Africa | 1,167 | 11,422 | 29,124 | 25,407 | 44,236 |
| Singapore | 28,961 | 39,854 | 38,206 | 38,077 | 29,278 |

Source: USDA

**Specifically**

The United States ranked 4th between 1995 and 1997 as the most important export market for Canada, based on quantity exported. Canada exported 5,168,452 kgs in 1995, 4,564,916 kgs in 1996 and 6,043,596 kgs in 1997. The top 10 types of products exported to the U.S. include; whole eviscerated raw chicken, turkey portions raw bone in, frozen poultry dinners, poultry burger, whole eviscerated other poultry, whole eviscerated duck, chicken portions raw bone in, chicken portions raw boneless and chicken feet/tails. There were also 31 other cuts exported.

## *5. Imports*

The United States sets high standards for food safety and regards itself as an international leader in assuring consumers a safe, diversified and abundant food supply. Trade agreements have not reduced or limited the authority of U.S. regulatory agencies to protect consumers. Imports gain access to the U.S. market only if they can meet U.S. standards for public health, as well as animal and plant health.

U.S. regulatory agencies have a strong track record in ensuring that imported foods are held to the same high food safety standards applied to domestic products. In negotiating both the North American Free Trade Agreement and Uruguay Rounds Agreement, the United States made certain that provisions were included to guarantee their sovereign right to protect human, animal and plant health.

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 529,142 | 582,925 | 698,325 | 917,072 | 1,347,536 | 1,811,954 | 2,129,909 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 542,955 | 638,558 | 681,176 | 799,195 | 1,249,048 | 1,679,267 | 2,089,685 |

Source: FAO Data Base

Turkey exports are not faring any better in 1998, with shipments through August 21% below the corresponding 1997 level. Unusually high demand from Russia through August (up nearly 30%) was not enough to offset the drop off in sales to Hong Kong and China, the U.S.'s second largest turkey market in 1997, after Mexico. U.S. 1998 turkey meat exports are now expected to drop to 191,000 tons, a 30% drop from 1997's record. Relatively robust demand from Mexico in 1999 and declining exports from our major competitor the E.U., support a 1999 forecast of 195,000 tons.

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 28,526 | 46,989 | 77,821 | 96,813 | 112,108 | 122,660 | 171,828 |

**Turkey Meat Exports VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 38,738 | 69,979 | 119,620 | 145,098 | 167,782 | 153,512 | 212,269 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,388 | 5,709 | 5,450 | 4,634 | 4,267 | 5,663 | 4,467 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,593 | 10,518 | 10,699 | 8,602 | 8,264 | 10,588 | 9,219 |

**Value of Top 10 U.S. Export Markets for Poultry ($000's)**

| Country | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Russia | 83,502 | 309,882 | 606,622 | 912,573 | 792,913 |
| Hong Kong | 169,489 | 273,991 | 402,591 | 419,334 | 436,392 |
| Mexico | 205,011 | 228,818 | 164,280 | 208,068 | 227,015 |
| Canada | 164,439 | 162,595 | 169,020 | 169,093 | 201,602 |
| Japan | 141,980 | 172,791 | 171,222 | 171,490 | 133,666 |
| Latvia | 4,188 | 378 | 1,314 | 72,866 | 96,597 |
| Poland | 34,950 | 50,478 | 47,215 | 56,294 | 54,085 |
| China | 17,575 | 23,584 | 33,892 | 60,295 | 52,462 |
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**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 667 | 1,199 | 586 | 318 | 535 | 1,876 | 2,047 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 856 | 1,933 | 969 | 518 | 1,006 | 2,410 | 4,278 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 413 | 992 | 612 | 1,563 | 1,169 | 1,312 | 699 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,080 | 1,051 | 406 | 1,881 | 1,126 | 2,006 | 902 |

**Duck Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 353 | 420 | 463 | 553 | 626 | 642 | 790 |

**Duck Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,304 | 1,477 | 1,573 | 1,911 | 2,170 | 2,330 | 2,884 |

Source: FAO Data Base

**U.S. Imports of Poultry Meat**

| Product | Country | Designation in Metric Tons 1996 | 1997 | Value in $000 1996 | 1997 |
|---|---|---|---|---|---|
| **whole broilers** | Canada | 851 | 1,178 | 1,939 | 2,804 |
| **chicken cuts/offal** | Canada | 1,087 | 1,407 | 1,816 | 3,037 |
| | Israel | 15 | 0 | 74 | 0 |
| | Mexico | 0 | 146 | 0 | 141 |
| | Other | n/a | n/a | n/a | n/a |
| **whole turkeys** | Canada | 21 | 3 | 26 | 17 |
| | Other | n/a | n/a | n/a | n/a |
| **other poultry f/c/f** | Canada | 1,939 | 2,017 | 6,655 | 6,882 |
| | Other | n/a | n/a | n/a | n/a |
| **goose/duck livers** | Canada | 12 | 13 | 377 | 433 |
| | France | 28 | 21 | 911 | 968 |
| | Other | 0 | 1 | 0 | 15 |
| **other poultry meat P/P** | Canada | 747 | 1,388 | 3,078 | 4,972 |
| | Israel | 216 | 166 | 1,231 | 1,009 |
| | Hong Kong | 114 | 55 | 518 | 430 |
| | Germany | 19 | 0 | 70 | 0 |

Source: USDA / FAS / U.S. Department of Commerce Bureau of the Census

## *6. Policy*

**Trade Agreements**

Trade agreements have opened markets, reduced unfair competition, brought some discipline to sanitary veterinary import barriers and introduced more effective dispute settlement procedures in global trade. These agreements have helped to expand export market opportunities for U.S. poultry meat in a number of ways.

Under the Uruguay Round, for example:

- South Korea has removed all non-tariff barriers to poultry meat imports, replacing them with a tariff of 30% which will be reduced to 20% by the year 2004.
- In Central America, Costa Rica opened a tariff rate quota (TRQ) for chicken parts, increasing exports of U.S. product to that market.
- the Philippines increased market access for poultry and pork through the implementation of WTO required TRQ's.
- The E.U., one of the U.S.'s major competitors, is reducing both the quantity and budgetary outlays for export subsidies. By 2001, the E.U.'s maximum allowable quantity of subsidized poultry exports will be 291,000 tons - 179,000 tons below the quantity of subsidized exports in the 1991-92 period.
- The United States is working to ensure that WTO accession for both Russia and China generates meaningful concessions and increased access for all U.S. meat products.

Under NAFTA, duty free access to the Mexican poultry meat market has propelled Mexico into the third largest market for U.S. poultry meat exports. In 1997, Mexico imported nearly 5% of U.S. broiler meat exports and 32% of turkey meat.

Under the WTO Sanitary Phytosanitary Agreement, the United States is working aggressively to pursue unfair trade barriers that are not scientifically justifiable.

**Trade Negotiations**

Despite the progress already achieved, trade liberalization is far from complete. U.S. poultry meat producers, in their opinion, continue to face an array of tariff and non-tariff barriers, unfair trading practices, and preferential trading arrangements in key markets around the world. A few examples follow:

- Numerous countries maintain trade barriers for poultry meat based on unsound science, such as Chile's policy of zero tolerance for salmonella and Venezuela's ban of U.S. poultry meat imports for alleged disease related reasons. Meanwhile, the E.U. continues to ban imports of U.S. poultry meat over a dispute on use of decontaminates in the production process.
- Despite a slight relaxation of policies that prohibited trade in poultry meat over the past few years, Egypt maintains a ban on chicken part imports which impedes trade flows in poultry meat and discriminates against U.S. product.

- India maintains a restrictive import licensing system that effectively bans imports of poultry meat. Imports of poultry meat into Malaysia and Indonesia continue to be constrained by less than transparent import licensing procedures.

## *7. Food Safety*

The U.S. applies a broad systems based approach to ensure that the highest standards of human, animal and plant health are achieved. For producers, safety means assuring that U.S. farmers and ranchers are protected from the threat of debilitating animal and plant diseases and pests so that abundant supplies of safe raw agricultural goods can be provided to domestic industries. For consumers it means ensuring that the final retail products are safe through a system that includes:

1. Pre-market assessment and approval.
2. Production monitoring through HACCP (hazard analysis and critical control point) and similar systems.
3. Statistical sampling and inspection of raw and processed food products.

**Promoting Higher International Food Standards**

U.S. representatives hold leadership positions in every major international organization charged with ensuring the safety of food produced and consumed around the world. They use these leadership positions to promote the adoption of international food safety measures that maintain high levels of protection for human, animal and plant health.

- The U.S. is active in all committees of the Codex Alimentarius Commission, the international food standard setting forum established in 1962 under the auspices of the World Health Organization. U.S. involvement in Codex activities ensures that their views on critical food safety issues will be reflected in the development of all international food standards. The U.S. currently chairs the Committee on Food Hygiene and the Committee on Residues of Veterinary Drugs in Foods. The Committee on Food Hygiene is now developing strong new food safety guidelines based on systems of preventive measures, including the HACCP system.
- In addition, U.S. food safety officials frequently meet with their foreign counterparts to evaluate and discuss emerging food safety issues. These bilateral meetings, which often occur independently of any specific trade agreement or commission, are effective in developing programs to control microbiological contaminants in foods.

## *8. U.S. Export Organization*

The USA Poultry & Egg Export Council (USAPEEC) is a non profit, industry sponsored trade organization dedicated to increasing export of U.S. poultry and egg products in all foreign markets. USAPEEC was founded in 1984 with a grant from the Southeastern Poultry and Egg Association now U.S. Poultry and Egg Association.

Today, as a separate entity, USAPEEC membership includes nearly all major U.S. poultry and egg producers and suppliers which export, in addition to a growing list of entities whose livelihood

depends on healthy poultry and egg food exports (shipping companies, warehouse and distribution firms, trade consultants, port authorities, etc.)

In addition to its U.S. office located near Atlanta, Georgia, the Council operates full time offices in Germany, Japan, Hong Kong , Singapore, China and Mexico. The Council provides a wide range of services and benefits to its members ie. buyers guide, resources, international offices, identification of trade shows and trade leads, industry resources and more.

Companies interested in applying for matching funds for the branded promotion of U.S. poultry, egg and ratite food products in foreign markets can apply to USAPEEC. This promotional funding is part of the Market Promotion Program (MPP) which was established by U.S. Congress as part of the 1990 Farm Bill. USAPEEC has applied for roughly $7.5 million in MPP funds, of which almost $3 million had to be used for promotion of generic, non branded poultry or egg products (1996/97). The program allowed any U.S. company to use branded advertising to promote the sale of U.S. poultry or egg products in approved foreign countries. Under the program, funding was contingent on approval of a specific marketing plan by both the USAPEEC and the Foreign Agricultural Service which administered MPP. Matching funds could be used to promote chicken, turkey, duck, Cornish game hens, quail and all further processed poultry and egg products. The MPP no longer exists but has been replaced with the Market Access Program which is similar in nature to the previous program.

USAPEEC is located at, 2300 West Park Place Blvd., Stone Mountain, GA 30087 USA, telephone (770) 413-0006, fax. (770) 413-0007 and electronic mail at general information: info@usapeec.org and webmaster: usapeec@usapeec.org

**U.S. Export Programs - Foreign Agriculture Service (FAS)**

FAS provides a number of programs to help U.S. exporters of agricultural products:

- Unified Export Strategy
- Dairy Export Incentive Program (DEIP)
- Emerging Markets Program
- Export Enhancement Program (EEP)
- Facility Guarantee Program (FGP)
- Foreign Market Development Program (FMD)
- General Sales Manager (GSM) programs
- Market Access Program (MAP)
- Supplier Credit Guarantee Program (SCGP)
- Section 108

The American poultry industry has accessed the following programs:

Export Enhancement Program (EEP)

The EEP helps products produced by U.S. farmers to meet competition from subsidizing countries, especially the European Union. Under the program, the U.S. Department of Agriculture pays cash to exporters as bonuses, allowing them to sell U.S. agricultural products in

targeted countries at prices below the exporter's costs of acquiring them. Major objectives of the program are to expand U.S. agricultural exports and to challenge unfair trade practices.

The EEP was announced by USDA on May 15, 1985 and is operated under the authority of the Agricultural Trade Act of 1978 as amended, the Uruguay Round Agreements Act and the Federal Agriculture Improvement and Reform Act of 1996. Consistent with its export subsidy commitments under the Uruguay Round Agreement on Agriculture, the United States has established annual ceilings by commodity with respect to export quantities and budget outlays. The commitment to respect the quantity ceilings became effective July 1, 1995; the commitment to respect budgetary outlay ceilings became effective October 1, 1995.

An invitation for offers to acquire a Commodity Credit Corporation (CCC) bonus was issued for frozen poultry, July 1, 1998. Amount received by the industry is unknown at this time.

Market Access Program (MAP)

The MAP, formerly the Market Promotion Program, uses funds from the U.S. Department of Agriculture's (USDA) CCC to help U.S. producers, exporters, private companies and other trade organizations finance promotional activities for U.S. agricultural products. The MAP encourages the development, maintenance and expansion of commercial export markets for agricultural commodities. Activities financed include consumer promotions, market research, technical assistance and trade servicing.

Allocations of $90 million to 64 U.S. trade organizations for export promotion activities in international markets under the MAP for FY 1998 was announced June 11, 1998 by Agriculture Secretary Dan Glickman. The U.S. poultry sector through its USAPEEC received $3,170,320. Based on additional funding provided to the meat and poultry sectors, it is assumed that additional funding to promote poultry was received through other organizations. For example the U.S. Meat Export Federation (+$9 million) and the California Agricultural Export Council (+$700,000) received funding toward various promotion activities that could include poultry promotion.

# Brazil

## Basic Information

| | |
|---|---|
| Land area: | 8 456 510 sq. km |
| Population: | 162 661 214 (1996) |
| Total GDP: | US $ 749.1 Billion (1996) |
| Capital city: | Brasilia |
| President: | Fernando Henrique Cardoso |
| Minister of Agriculture: | Arlindo Porto |
| Canadian Ambassador: | Nancy Stiles |

# Canadian-Brazil Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **391.637** | **269.809** |
| **Total Agri-Food Imports:** | **321.907** | **371.304** |
| **Agri-Food Trade Balance** | **69.730** | **-101.495** |

## Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **391.637** | **269.809** |
| Non-durum wheat | 287.276 | 174.357 |
| Malt, not roasted | 44.450 | 39.511 |
| Durum wheat | 1.768 | 10.928 |
| Canary seed | 13.103 | 9.763 |
| Dried peas | 8.018 | 5.454 |

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### Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **321.907** | **371.304** |
| Coffee, not roasted, not decaffeinated | 48.245 | 92.195 |
| Orange juice, frozen | 92.846 | 77.85 |
| Coffee, roasted, not decaffeinated | 9.837 | 47.049 |
| Raw cane sugar | 50.248 | 43.306 |
| Orange juice, nes | 10.082 | 15.179 |

## Brazil Agri-Food Imports

### Total Agri-Food Imports (1996): US $2.3 Billion

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Non-durum wheat | 1,191.615 | Argentina |
| Milk & cream products | 376.788 | Argentina |
| Other cereal meals or flours | 274.363 | Uruguay |
| Meat of bovine animals | 254.790 | Uruguay |
| Soya beans | 229.200 | Paraquay |

### Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **1,281.400** | **1,283.259** |
| Non-durum wheat | 160.348 | 287.490 |
| Newsprint, in rolls or sheets | 304.831 | 170.632 |
| Potassium chloride | 108.418 | 141.324 |
| Preparations of petroleum oils | 77.759 | 95.720 |
| Bituminous coal | 71.953 | 79.980 |

## *ABOUT THE BRAZILIAN POULTRY INDUSTRY.....*

### *1. Current Situation*

The Brazilian economy is expected to grow at only 1% in 1998, after a growth in GDP of 3.68% in 1997. It has been reported that Brazil will probably enter into a recession in 1999. In October of 1997, when Asia's troubles first hit Brazil, the Brazilian government restored market confidence by double interest rates and announcing a fiscal squeeze.

Throughout most of the first half of 1998, Brazil was able to defend its currency and increase its foreign reserves. The side effect was a slow down in economic activity and increased unemployment. In addition, Brazil has three other major weaknesses which are large fiscal and current account deficits and high debt service costs. Now that Brazil is hit again by the world financial turmoil, Russia's debt default and a slowing world economy, the attack on the Brazilian currency (which is estimated to be overvalued by 20%) is far more serious. In less than two months, Brazil lost close to a third of its foreign exchange reserves much of which are borrowed in international capital markets and the government is about to announce a far more drastic fiscal squeeze.

Poultry production is expected to increase between ½ to 2%, domestic demand is up by over 2%, while poultry exports (mostly broilers) are expected to drop by 12% due to poor demand in international markets, mostly because of a drop in exports to Asian markets and to Russia.

### *2. Production*

The Office of Agricultural Affairs (OAA) estimates that production of broiler meat will increase only by ½ of 1% in 1998 due to lower availability of day old chicks, lower exports and weak domestic demand. Broiler producers reduced chick replacements to 1.3 billion chicks during the first quarter of 1998. This was 1% lower than the same period of last year and is the second drop in chick replacements in the past 17 years. Other factors accounting for this year's decline are the high mortality of day old chicks due to the high temperatures because of El Nino and the outbreak of leukosis disease which affected breeding material, mostly imported from the U.S.

**Production of parent stock and day old broiler chicks:**

| Year | Parent Stock Layers (1000) | Broilers (1000) | Broiler Chicks (1000) |
|---|---|---|---|
| 1992 | 58,286 | 17,277 | 1,974,639 |
| 1993 | 52,596 | 18,915 | 2,122,921 |
| 1994 | 55,603 | 20,817 | 2,323,906 |
| 1995 | 58,250 | 22,068 | 2,537,191 |
| 1996 | 56,002 | 21,859 | 2,593,096 |
| 1997 | 52,073 | 23,118 | 2,863,797 |

In 1997, broiler meat production in Brazil reached 4.4 million metric tons, of which 50% was concentrated in the south region followed by the southeast region (35%). The state of Sao Paulo in the southeast region was the single largest producer of broiler meat (22%) followed by the three southern states of Santa Catarina (18%), Parana (16%) and Rio Grande do Sul (15%). About 75 % of the broiler industry in Brazil is vertically integrated. All poultry plants in the export business are vertically integrated and federally inspected.

Also in 1997, the 10 largest poultry processors accounted for 47.6% of total poultry slaughter, slightly down from 49.8% in 1996. Non inspected broiler production decreased from 28.7% in 1997 to 28.2% in 1998. This is a result of stronger enforcement by state governors of the value added tax. The following provides the market share of each of the 10 largest broiler processors in Brazil.

| Company | 1997 | 1996 % |
|---|---|---|
| Sadia | 12.28 | 13.45 |
| Perdigao | 7.56 | 7.10 |
| Ceval | 6.07 | 6.38 |
| Frangosul | 4.89 | 4.51 |
| Avipal | 4.53 | 4.53 |
| Penabranca | 3.10 | 3.80 |
| Dagranja | 3.04 | 3.19 |
| Chapeco | 2.59 | 3.89 |
| Aurora | 2.13 | 1.31 |
| Minuano | 1.42 | 1.64 |

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Increased concentration in the poultry industry will continue to reduce the number of small and medium size processors who face higher interest rates and compressed profit margins. A most recent development is the entry into the Brazilian poultry sector of foreign firms, the most important of which is the French poultry company Doux. In July of this year, Doux, announced its purchase of Frangosul, the fourth largest poultry and pork processor in Brazil with a poultry export market share of nearly 12%. Traditionally poultry production and processing has been a Brazilian family business so the advent of multinationals is a significant development. Three years ago Perdigoa, also a family business, was purchased by a Brazilian pension fund group. There are also reports that the fifth largest Brazilian poultry processor, Avipal, is about to be sold to the Argentine group Macri.

The outlook for broiler production in 1999 calls for another small increase, reflecting the uncertainty of poultry exports, the expected slow economic growth rate of 2% or less and the continued weak consumer demand. Poultry analysts generally agree double digit poultry production growth in Brazil is over. Production in the coming years will continue to grow as a result of previous investments in the sector which are contributing to productivity gains, but the pace of such improvements and growth will slow. Profit margins on whole chickens are close to zero, impacting mainly small and medium size processors. Large poultry processors are responding to the challenge by launching new, high value added products and seeking new markets abroad. The top two Brazilian poultry firms, Sadia and Perdigao have developed sophisticated processed food products arrays, which include not only poultry meat but prepared poultry dishes with rice, vegetables, olive oils, etc. as well as pork and fish based prepared dishes.

Nearly all turkey meat marketed in Brazil is produced by SADIA, which holds a 96% market share of Brazil's turkey production. According to SADIA sources, the company's goal is to increase turkey production by 10%

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,356,000 | 2,628,000 | 2,872,000 | 3,143,000 | 3,411,000 | 3,666,000 | 4,052,000 | 4,340,000 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 53,085 | 56,231 | 67,031 | 70,800 | 75,270 | 90,000 | 100,000 | 110,000 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 12,480 | 15,600 | 14,300 | 15,600 | 22,100 | 22,100 | 22,100 | 22,100 |

Source - FAO Data Base

Increased concentration in the poultry industry will continue to reduce the number of small and medium size processors who face higher interest rates and compressed profit margins. A most recent development is the entry into the Brazilian poultry sector of foreign firms, the most important of which is the French poultry company Doux. In July of this year, Doux, announced its purchase of Frangosul, the fourth largest poultry and pork processor in Brazil with a poultry export market share of nearly 12%. Traditionally poultry production and processing has been a Brazilian family business so the advent of multinationals is a significant development. Three years ago Perdigoa, also a family business, was purchased by a Brazilian pension fund group. There are also reports that the fifth largest Brazilian poultry processor, Avipal, is about to be sold to the Argentine group Macri.

The outlook for broiler production in 1999 calls for another small increase, reflecting the uncertainty of poultry exports, the expected slow economic growth rate of 2% or less and the continued weak consumer demand. Poultry analysts generally agree double digit poultry production growth in Brazil is over. Production in the coming years will continue to grow as a result of previous investments in the sector which are contributing to productivity gains, but the pace of such improvements and growth will slow. Profit margins on whole chickens are close to zero, impacting mainly small and medium size processors. Large poultry processors are responding to the challenge by launching new, high value added products and seeking new markets abroad. The top two Brazilian poultry firms, Sadia and Perdigao have developed sophisticated processed food products arrays, which include not only poultry meat but prepared poultry dishes with rice, vegetables, olive oils, etc. as well as pork and fish based prepared dishes.

Nearly all turkey meat marketed in Brazil is produced by SADIA, which holds a 96% market share of Brazil's turkey production. According to SADIA sources, the company's goal is to increase turkey production by 10%

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,356,000 | 2,628,000 | 2,872,000 | 3,143,000 | 3,411,000 | 3,666,000 | 4,052,000 | 4,340,000 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 53,085 | 56,231 | 67,031 | 70,800 | 75,270 | 90,000 | 100,000 | 110,000 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 12,480 | 15,600 | 14,300 | 15,600 | 22,100 | 22,100 | 22,100 | 22,100 |

Source - FAO Data Base

## 3. Consumption

Domestic broiler meat consumption is expected to increase by 2.7% in 1998, reflecting a sharp drop in exports, competitive broiler prices relative to beef prices, strong demand from the institutional market and most important, increased consumption of prepared chicken products, particularly in entree dinners.

The are no statistics that break down the composition of broiler consumption although Brazilian consumers still have an overwhelming preference for large whole broilers. The structure of the broiler demand is changing in Brazil according to some market analysts. Since economic stabilization beginning in 1994, there has also been a shift in consumption toward more highly processed broiler products. Large Brazilian poultry processors are responding to consumer habit changes by shifting their sales mix strategies toward broiler parts (mostly leg quarters and breast meat) and further processed value added branded products, such as frozen chicken meals, pre-cooked meals, chicken nuggets and chicken burgers. The institutional food service and fast food markets are also offering great potential for Brazilian firms.

Frozen turkey consumption remains highly seasonal in Brazil. About 85% of whole turkey sales occur during the pre-Xmas period. Consumer habits in Brazil favour turkey consumption during Xmas. Processed turkey products, such as sliced loaf, nuggets, etc. are consumed throughout the year. SADIA's business strategy is to increase consumption of processed turkey products and to expand the consumption of whole turkey to other major seasonal events.

## 4. Exports

The total volume of Brazil's broiler exports in 1997 reached 649,357 metric tons, up 14% from 1996, while the total value reached $875.8 (U.S.) million, up only 4% from the previous year. Although both total volume and total value of broiler exports reached a record in 1997, the average export unit price dropped by 9% from 1996 to $1,348.78 (U.S.).

Export of broiler parts accounted for 42.4% of the total volume of broiler meat exported, down from a 48.2% export share in 1996. Exports of whole broilers accounted for 57.6% of total volume exported in 1997, up from 51.8% export share in 1996. The volume of broiler meat exported in 1997 accounted for 14.6% of total Brazilian broiler production, 14% more than in 1996. Preliminary data about all meat exports in 1997 indicates that broiler exports account for 60% of the value of all meat exports.

The expected decline in exports to Russia and to Asia (mostly to Japan), can be attributed to the financial crisis affecting those regions of the world. Brazilian exporters also claim that the currency devaluation in Thailand has had a negative impact on their sales to Asia. Exporters also complained about the subsidies that the U.S. and the European Union provide to export product into the Middle East. More recently, Brazilian poultry exporters are facing problems with the New Argentine regulations for residue control and hygiene in foods which has caused detention of several shipments of poultry and pork exports from Brazil. Brazilian officials consider this new

plan illegal under the WTO because of the lack of prior notice to Brazil and third countries prior to implementation.

Brazil's poultry exports originate largely (+90%) in the south region. Poultry exports also benefit from the exemption of ICMS (Imposto sobre a Circulacao de Mercadorias e Servicos, similar to a value added tax) on processed product exports. Also, Brazilian poultry exporters have access to export industry working capital financing. Available under the PROEX program, (administered by the Bank of Brazil) these funds known as A.C.C., bear interest rates below common Brazil market rates (but above global rates). Similarly, as an export industry, poultry producers and processors can get long term investment loans from the Banco Nacional de Desenvolvemento Economico e social at favourable (relative to ordinary Brazilian investment funding) rates.

***Broiler Parts Exports - By Destination (in metric tons)***

| Country | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| Argentina | 3,489 | 3,821 | 6,160 | 4,899 |
| Bahrain | 1,210 | 1,313 | 1,070 | 1,337 |
| China | 652 | 284 | 3,773 | 6,711 |
| Germany | 13,073 | 9,425 | 22,229 | 19,966 |
| Hong Kong | 33,588 | 42,255 | 51,171 | 69,066 |
| Italy | 8,934 | 4,492 | 4,702 | 2,623 |
| Kuwait | 1,459 | 1,851 | 2,309 | 2,093 |
| Japan | 79,114 | 92,815 | 116,458 | 89,608 |
| Netherlands | 5,557 | 6,105 | 7,258 | 10,627 |
| Others | 42,589 | 45,521 | 58,927 | 68,655 |
| Total | 189,765 | 201,777 | 274,057 | 275,585 |

***Whole Broiler Exports - By Destination (in metric tons)***

| Country | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| Argentina | 46,438 | 15,240 | 21,408 | 40,635 |
| Bahrain | 6,027 | 6,748 | 6,086 | 8,011 |
| Hong Kong | 5,428 | 3,434 | 3,887 | 3,371 |
| Kuwait | 17,411 | 17,926 | 25,042 | 27,973 |
| Japan | 2,944 | 3,421 | 3,884 | 4,090 |
| Netherlands | 2,184 | 1,195 | 3,202 | 1,965 |

| | | | | |
|---|---|---|---|---|
| Oman | 7,859 | 3,984 | 5,633 | 6,285 |
| Qatar | 8,802 | 6,722 | 9,984 | 11,726 |
| Russia | 0 | 0 | 14,064 | 33,337 |
| Saudi Arabia | 150,989 | 136,399 | 153,588 | 178,793 |
| United Arab Emir | 14,780 | 7,633 | 14,948 | 25,852 |
| Others | 28,282 | 19,721 | 33,012 | 31,734 |
| Total | 291,174 | 222,423 | 294,738 | 373,772 |

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 292,195 | 313,840 | 370,732 | 511,397 | 485,191 | 428,988 | 558,601 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 320,046 | 387,313 | 436,795 | 565,763 | 606,546 | 634,031 | 835,034 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 861 | 1,900 | 32,916 | 24,793 | 1,864 | 3,039 | 5,121 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,417 | 3,342 | 11,758 | 9,039 | 2,577 | 4,299 | 3,687 |

Turkey exports, almost entirely turkey parts, account for an average 15% of production and show only marginal annual increase. Germany and Italy account for most of Brazil's turkey exports, followed by the United Kingdom, South Africa, Peru, Netherlands and Hong Kong.

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,681 | 8,906 | 12,758 | 13,665 | 14,138 | 11,646 | 12,782 |

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| China | 652 | 284 | 3,773 | 6,711 |
| Germany | 13,073 | 9,425 | 22,229 | 19,966 |
| Hong Kong | 33,588 | 42,255 | 51,171 | 69,066 |
| Italy | 8,934 | 4,492 | 4,702 | 2,623 |
| Kuwait | 1,459 | 1,851 | 2,309 | 2,093 |
| Japan | 79,114 | 92,815 | 116,458 | 89,608 |
| Netherlands | 5,557 | 6,105 | 7,258 | 10,627 |
| Others | 42,589 | 45,521 | 58,927 | 68,655 |
| Total | 189,765 | 201,777 | 274,057 | 275,585 |

***Whole Broiler Exports - By Destination (in metric tons)***

| Country | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| Argentina | 46,438 | 15,240 | 21,408 | 40,635 |
| Bahrain | 6,027 | 6,748 | 6,086 | 8,011 |
| Hong Kong | 5,428 | 3,434 | 3,887 | 3,371 |
| Kuwait | 17,411 | 17,926 | 25,042 | 27,973 |
| Japan | 2,944 | 3,421 | 3,884 | 4,090 |
| Netherlands | 2,184 | 1,195 | 3,202 | 1,965 |

| | | | | |
|---|---|---|---|---|
| Oman | 7,859 | 3,984 | 5,633 | 6,285 |
| Qatar | 8,802 | 6,722 | 9,984 | 11,726 |
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|---|---|---|---|---|---|---|
| 10,681 | 8,906 | 12,758 | 13,665 | 14,138 | 11,646 | 12,782 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 17,541 | 18,850 | 28,290 | 31,056 | 40,296 | 33,300 | 40,930 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 187 | 0 | 0 | 0 | 0 | 0 | 0 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 253 | 0 | 0 | 0 | 0 | 0 | 0 |

Source - FAO Data Base

**Specifically**

Brazil ranked 23rd (1995), 19th (1996) and 20th (1997) as the most important export market for Canada, based on quantity exported. Canada exported 155,139 kgs in 1995, 160,559 kgs in 1996 and 263,628 kgs in 1997. The type of products exported to Brazil were; whole eviscerated duck, duck portions raw, dried, smoked, cured duck products.

Brazil has and will probably continue to import Canadian duck meat, which is one of many products produced under our federal poultry inspections system.. However, at this time, there is no protocol between Canada and Brazil relative to the inspection of poultry meat products. The lack of an agreement restricts the movement of other poultry products between Brazil and North America.

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/brazil.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *5. Imports*

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 18 | 0 | 0 | 0 | 274 | 138 | 0 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 26 | 0 | 0 | 0 | 546 | 167 | 0 |

**Live Turkeys Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 13 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 476 |

Source - FAO Data Base

## *6. Policy*

During the 15th Annual Poultry Congress in Brazil, October 1997, the poultry sector expressed their major policy concerns through a document called the "Brasilia Letter", by which poultry leaders requested:

1. Strengthening of the Animal Health and Inspection Services, including the implementation of the new National Poultry Inspection Program;
2. Tax restructuring on agricultural inputs, including exemption of state value-added tax;
3. Infrastructure programs aimed at reducing the cost of transporting and storing grains;
4. Establish new special credit programs for the sector, including the pork sector and,
5. Support at international multilateral fora to fight subsidies and protectionist measures by competitors and buyers abroad.

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 17,541 | 18,850 | 28,290 | 31,056 | 40,296 | 33,300 | 40,930 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 187 | 0 | 0 | 0 | 0 | 0 | 0 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 253 | 0 | 0 | 0 | 0 | 0 | 0 |

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|---|---|---|---|---|---|---|
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|---|---|---|---|---|---|---|
| 26 | 0 | 0 | 0 | 546 | 167 | 0 |

**Live Turkeys Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 13 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 476 |

Source - FAO Data Base

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3. Infrastructure programs aimed at reducing the cost of transporting and storing grains;
4. Establish new special credit programs for the sector, including the pork sector and,
5. Support at international multilateral fora to fight subsidies and protectionist measures by competitors and buyers abroad.

The most recent event affecting policy development was Brazil's defeat in the WTO panel on the Brazilian case against the European Union's poultry policies. Poultry leaders considered the results of the WTO panel a major defeat for the sector.

Brazil lost on two requests:

(a) the increase in the import quota

(b) the administration of the quota

Brazil won its requests related to the reference price for import duty purposes.

## *7. Food Safety*

The decontaminates issue between the European Union and the United States did not affect Brazil. Animal Health authorities declared that the E.U. had never officially approached Brazil regarding this issue, except unofficially during a routine review of Brazilian plants authorized to export to Europe.

# Mexico

## Basic Information

| | |
|---|---|
| Land area: | 1 923 040 sq. km |
| Population: | 95 772 462 (1996) |
| Total GDP: | US $335 Billion (1996) |
| Capital city: | Mexico |
| President: | Ernesto Zedillo Ponce de Leon |
| Minister of Agriculture: | Romarico Arroyo Marroquin |
| Canadian Ambassador: | Stanley Gooch |

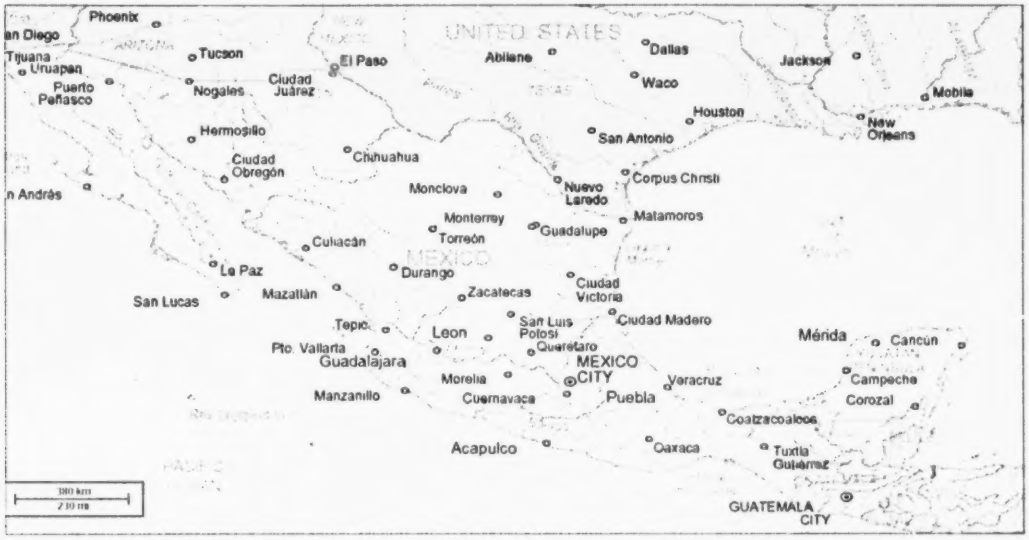
## Canadian-Mexico Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **429.856** | **450.087** |
| **Total Agri-Food Imports:** | **315.070** | **350.938** |
| **Agri-Food Trade Balance** | **114.786** | **99.149** |

### Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **429.856** | **450.087** |
| Canola seed | 194.302 | 217.742 |
| Non-durum wheat | 115.581 | 151.586 |
| Milk powder, <1.5% fat | 46.566 | 32.047 |
| Canary seed | 14.255 | 8.519 |
| Malt, not roasted | 11.685 | 5.107 |

# Mexico

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| Canary seed | 14.255 | 8.519 |
| Malt, not roasted | 11.685 | 5.107 |

## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **315.070** | **350.938** |
| Coffee, not roasted, not decaffeinated | 44.919 | 38.939 |
| Tomatoes, fresh | 37.951 | 35.334 |
| Beer | 16.379 | 23.316 |
| Guavas & mangoes | 17.696 | 21.330 |
| Food preparations | 4.754 | 20.513 |

## Mexico Agri-Food imports

**Total Agri-Food Imports (1996) : US $ 3.2 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Corn | 1,131.186 | USA |
| Soybeans | 918.827 | USA |
| Non-durum wheat | 411.147 | USA |
| Buckweat, millet, canary seed | 370.545 | USA |
| Milk & cream, preserved | 358.420 | USA |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **1,111.941** | **1,170.995** |
| Canola seeds for oil extraction | 180.304 | 194.261 |
| Non-durum wheat | 97.017 | 115.580 |
| Motorcycle parts | 88.184 | 71.330 |
| Spark ignition - cyclinder >3000cc | 43.232 | 63.303 |
| Milk powder, <1.5% fat | 46.511 | 43.502 |

## *ABOUT THE MEXICAN POULTRY INDUSTRY.....*

### *1. Current Situation*

The forecast for poultry meat production for 1998 is 1.62 MMT. This level represents an increase of 7% from 1997, which is higher compared to past years. Consumption of poultry meat is expected to rise in 1998 because of the increasing prices for red meats as well as the continuing consumer purchasing power recovery.

Turkey meat production forecast for 1998 is expected to drop, anticipating poor returns and economic losses faced by the two firms in the market because of higher production costs and the competition of imports. Duty-free turkey meat imports for further processing will be higher than the NAFTA minimum. Domestic further processing firms continue to be major users of turkey parts in Mexico, which have been very successful in Mexico, mainly turkey thigh meat. Turkey thighs are used by local meat processors to produce wieners, hams and other cold meats.

### *2. Production*

The forecast of 1998 Mexican poultry meat production is expected to increase by about 6.6% compared to the previous year. Poultry producers continue to face favorable production costs due to stable feed prices, particularly for imported feed ingredients and animal feed. Flat feed costs coupled with a stable peso exchange rate and the continued economic recovery in Mexico will impulse producers to increase output in 1998. Feed costs represent around 60% of the total production. Nearly 60% of total feedstuffs consumed by the poultry sector is imported.

Modern technology is widely used by domestic poultry firms at farm level. Genetics are usually sourced from the United States. The Secretariat of Agriculture, Livestock and Rural Development reports only the operation of eleven federally inspected slaughter houses for poultry.

The poultry industry is dominated by several big producers, which account for more than 50% of production. The large firms are increasingly dominant. In the last three years, business failures among small firms have been common. Within the first four years of NAFTA, domestic investments to modernize and improve operations by the local poultry industry have remained practically stagnant as a result of the economic crisis.

**Chicken**

**Market Share of Mexican Market for Chicken (in %)**

| Company | 1997 market share |
|---|---|
| Bachoco | 21 |
| Pilgrim's Pride de Mexico | 11.6 |
| Trasgo (Tyson Foods) | 7.8 |
| Univasa (Desc Group) | 6.6 |
| Patsa | 4.3 |
| Other (around 200 producers) | 48.7 |
| Total | 100 |

Note: Pilgrim's Pride is American-owned and Trasgo has a joint venture with Tysons.

**Main Chicken Meat Producing States 1997**

| State | Percentage |
|---|---|
| Queretaro | 10 |
| Coahuila-Durango | 10 |
| State of Mexico | 9.0 |
| Puebla | 9.0 |
| Jalisco | 9 |
| Nuevo Leon | 8.0 |
| Veracruz | 7.0 |
| Guanajuato | 6.0 |
| Yucatan | 4.0 |
| Hidalgo | 4 |
| Morelos | 4 |
| Total | 100 |

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 750427 | 857947 | 898495 | 1040029 | 1126008 | 1283867 | 1264366 | 1441905 |

Source - FAO Data Base

**Turkey**

Estimates for turkey meat production were revised downward for 1998 because of higher production costs and greater competition from imports. Greater supplies of feedstuffs at attractive prices have not been sufficient to encourage domestic turkey meat production. Mexican producers continue to find severe difficulties in competing against imports due to lack of economies of scale and limited integration. In addition, domestic firms continue to produce whole turkeys to be consumed only during the Christmas season. At the same time, domestic production of turkey meat parts and further processed products is negligible.

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 24595 | 20569 | 13002 | 12012 | 9240 | 10890 | 10989 | 11979 |

**Duck**

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 17500 | 18000 | 18500 | 19000 | 19550 | 19750 | 20000 | 20000 |

Source - FAO Data Base

## *3. Consumption*

The forecast for 1998 consumption has been raised slightly to reflect continued improvement in consumer purchasing power and the fact that the price of chicken meat continues to be cheaper than red meats. Chicken meat demand is income elastic, so higher incomes should result in significant increases in consumption. Reportedly household incomes are increasing slightly causing an increase in poultry meat consumption, particularly chicken meat.

Prices at all levels are determined by market forces in Mexico. Consequently the government is not providing consumer subsidies on poultry meats. As a result of the economic recovery, industry sources say that new investments to modernize and expand the food distribution network

**Chicken**

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| Company | 1997 market share |
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| Bachoco | 21 |
| Pilgrim's Pride de Mexico | 11.6 |
| Trasgo (Tyson Foods) | 7.8 |
| Univasa (Desc Group) | 6.6 |
| Patsa | 4.3 |
| Other (around 200 producers) | 48.7 |
| Total | 100 |

Note: Pilgrim's Pride is American-owned and Trasgo has a joint venture with Tysons.

**Main Chicken Meat Producing States 1997**

| State | Percentage |
|---|---|
| Queretaro | 10 |
| Coahuila-Durango | 10 |
| State of Mexico | 9.0 |
| Puebla | 9.0 |
| Jalisco | 9 |
| Nuevo Leon | 8.0 |
| Veracruz | 7.0 |
| Guanajuato | 6.0 |
| Yucatan | 4.0 |
| Hidalgo | 4 |
| Morelos | 4 |
| Total | 100 |

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 750427 | 857947 | 898495 | 1040029 | 1126008 | 1283867 | 1264366 | 1441905 |

Source - FAO Data Base

**Turkey**

Estimates for turkey meat production were revised downward for 1998 because of higher production costs and greater competition from imports. Greater supplies of feedstuffs at attractive prices have not been sufficient to encourage domestic turkey meat production. Mexican producers continue to find severe difficulties in competing against imports due to lack of economies of scale and limited integration. In addition, domestic firms continue to produce whole turkeys to be consumed only during the Christmas season. At the same time, domestic production of turkey meat parts and further processed products is negligible.

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 24595 | 20569 | 13002 | 12012 | 9240 | 10890 | 10989 | 11979 |

**Duck**

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 17500 | 18000 | 18500 | 19000 | 19550 | 19750 | 20000 | 20000 |

Source - FAO Data Base

## *3. Consumption*

The forecast for 1998 consumption has been raised slightly to reflect continued improvement in consumer purchasing power and the fact that the price of chicken meat continues to be cheaper than red meats. Chicken meat demand is income elastic, so higher incomes should result in significant increases in consumption. Reportedly household incomes are increasing slightly causing an increase in poultry meat consumption, particularly chicken meat.

Prices at all levels are determined by market forces in Mexico. Consequently the government is not providing consumer subsidies on poultry meats. As a result of the economic recovery, industry sources say that new investments to modernize and expand the food distribution network

could begin in 1998. The Mexican Government has estimated that the GDP will increase around 5% in 1998, while the domestic inflation rate will decrease from 15.7% in 1997 to about 12% in the current year. Consumption for 1997was a little lower than previously anticipated due to increased retail prices.

Mexico continues to be a commodity rather than a high value product market because Mexican consumers prefer fresh, whole chicken. However, the purchasing of parts and convenience products, such as cut-up, deboned parts and frozen consumer ready items is increasing gradually. Yellow skinned chicken is preferred because white skinned is perceived as being unhealthy.

About 42% of the total poultry consumption is of live birds. Broilers' presentation (whole chicken without offals) represents 27% of poultry meat consumption, while the "public market" presentation (whole chicken including offals) encompasses around 18% of the total. Only 9% is purchased in supermarkets presentation (whole chicken without offals). Parts account for just 4% of the total consumption.

The overall turkey consumption estimate was revised upward for 1997 and 1998 due to the continuing economic recovery of the country, stable peso and the sharp increase of the consumer purchasing power. As further processed turkey products are price elastic, favorable prices of imported products have caused an outstanding resurgence in consumption, particularly from middle income classes. Consumption of turkey meat in 1998 should increase.

## *4. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5857 | 5163 | 4249 | 2325 | 2458 | 4587 | 5412 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 12133 | 11855 | 7918 | 3066 | 1125 | 2402 | 2941 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 331 | 0 | 0 | 5 | 0 | 0 | 0 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 115 | 0 | 0 | 21 | 0 | 0 | 3 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 83 | 0 | 0 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 45 | 0 | 0 |

Source - FAO Data Base

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/mexico.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *5. Imports*

The forecast of poultry meat imports for 1998 will be higher than expected because of the strong demand reflecting the recovery in the consumer purchasing power. Specifically, mechanical deboned meat (MDM) imports are expected to exceed total TRQ's in 1998, due in part to the price increases of alternative domestic products such as pork. Demand for low priced MDM as an input for the domestic sausage industry remains strong.

Industry sources indicate that it is likely the Mexican Commerce Ministry will approve import certificates for about 85,000MT of MDM and turkey thigh meat from the U.S. for the first half of 1998. The original NAFTA allocation was 61,900MT. Although the Mexican swine industry has placed less pressure on NAFTA TRQ's allocations, they have expressed an interest in voicing their concerns to their government to initiate an anti-dumping investigation against imports of U.S. MDM and turkey thigh. They perceive increased imports particularly the ones above the NAFTA TRQ's, as a threat to their industry.

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|---|---|---|---|---|---|---|
| 5857 | 5163 | 4249 | 2325 | 2458 | 4587 | 5412 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 12133 | 11855 | 7918 | 3066 | 1125 | 2402 | 2941 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 331 | 0 | 0 | 5 | 0 | 0 | 0 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 115 | 0 | 0 | 21 | 0 | 0 | 3 |

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 83 | 0 | 0 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 45 | 0 | 0 |

Source - FAO Data Base

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Duty-free access for imported U.S. uncooked whole poultry meat and poultry parts, basically chicken meat parts, is only granted to domestic trading companies operating in the northern border region. The northern border region comprises the territory between the International zone with the U.S. and a 20km parallel line from the International limit, including a portion of the state of Sonora and the Gulf of Mexico and the municipality of Canannea, in Sonora. This territory includes cities such as Tijuana, Mexicali, Ensenada, San Luis Rio Colorado and La Paz.

**1997 NAFTA Tariff Rate Quotas for Poultry**

Under NAFTA deal with the United States, duty free access to the Mexican market for 1998 is established at 106,924MT of poultry meat. This amount is scheduled to grow at a 3% annual compound rate until the year 2003, when all imports will be duty free.

**1998 NAFTA Tariff Rate-Quotas**

| Product | TRQ's (MT) |
|---|---|
| whole turkey | 2,251 |
| other whole poultry | 14,632 |
| turkey parts and offals | 31,514 |
| other poultry parts and offals | 28,138 |
| mechanically deboned meat | 30,389 |

**NOTE:** Due to a recent agreement (6/10/98) reached between Mexican meat packers and domestic swine producers, the Mexican Secretariat of Commerce has indicated that it will issue certificates to import 100,000 metric tons duty free of U.S. mechanically deboned poultry meat during the second half of 1998 (60% deboned product and 40% turkey thigh meat). Packers and producers had earlier been at odds over the amount of poultry meat to be imported from the U.S.. As a result of the agreement, Mexican swine associations (who are concerned about poultry imports under the NAFTA) and the Secretariat of Commerce will monitor more closely the commitment made by the meat packers to increase their purchases of domestic pork by 6% annually.

The government secretariat in charge of foreign trade, namely the Mexican Secretariat of Commerce, lacks a system to monitor actual entries of agricultural commodities under the TRQ's. The Secretariat controls allocations of import certificates, but official trade data are released with a delay of two to three months. The Mexican poultry industry continues to allege that they are being hurt by imports. Also, importers are said to take advantage of Mexican Customs lack of familiarity with the process and the lack of a precise verification process. Thus, importers allegedly pay the 6% NAFTA duty for processed poultry and evade the high out-quota rate for fresh whole poultry of 218%.

Under the NAFTA, there is a schedule for tariff elimination which will result in the removal of tariffs between Canada and Mexico by 2003, with the exception of tariffs for dairy, poultry and egg products. There was increasing trade in further processed poultry products pre-NAFTA but

with the implementation of the agreement tariffs became prohibtively high for these products and Canadian exports have been significantly reduced. At the present time, the tariff rates for poultry meat and shell eggs from Canada into Mexico are quite high (123% and 243% respectively). Exports are limited although Canada does export some turkey meat via border states which does not appear in the Mexican trade data. It is unlikely that exports from Canada will significantly increase under the current tariff structure.

Turkey imports in 1997 were revised upward and are expected to continue climbing in 1998. In addition to the economic recovery's favorable impact on turkey imports, Mexico continues to be noncompetitive in this segment of the poultry industry. Consequently the U.S. and other countries are and can be, the main suppliers of turkey meat and products into Mexico. The U.S. Poultry and Egg Export Council along with local turkey producers are planning to conduct a generic marketing campaign in 1998 to increase overall consumption of selected turkey products in Mexico. This market strategy should help to relieve the sentiment among Mexican producers that they are being pushed out of their own market. More joint US./Mexico industry activities are being promoted as a potential means of avoiding lengthy and expensive antidumping investigations.

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 40415 | 61239 | 85787 | 113269 | 124143 | 118733 | 115290 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 36475 | 48688 | 60503 | 75457 | 89416 | 88464 | 106914 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2043 | 4212 | 1177 | 1991 | 2260 | 1798 | 2728 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 8777 | 9755 | 10386 | 11770 | 9761 | 9926 | 10132 |

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|---|---|---|---|---|---|---|
| 3088 | 22844 | 39384 | 56723 | 70211 | 70726 | 82910 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2074 | 41489 | 63714 | 78885 | 106527 | 84286 | 105283 |

Source - FAO Data Base

## *6. Marketing*

In 1997 the Mexican National Poultry Association together with the Secretariat of Agriculture Livestock and Rural Development, conducted a generic advertising campaign to increase domestic consumption of poultry products. The campaign included TV, radio and press promotions. According to the Association, they still need to evaluate the campaign's impact. Reportedly, a new campaign will be launched in 1998.

Since there are restrictions and controls on trade for uncooked poultry products, any market development activities should be directed towards consumer awareness and use of further processed poultry products. Imports of uncooked poultry meat, particularly from the U.S., of chicken and turkey meat, continue to be restricted to northern border areas. Imports of turkey meat parts by sausage firms, however, are allowed throughout the country. In the past year, the Government of Mexico has announced a number of new food safety proposed regulations for imported meat and eggs.

## *7. Quality, Safety & Health*

Local Mexican producers are pressuring their government to erect troublesome animal health or food safety regulations to slow down imports of U.S. poultry products. An example is the proposed import regulation against Avian Influenza (AI). The Mexican government could classify the U.S. and other countries as areas possibly infected by AI. Specifically for the U.S., if a change in the regulation is implemented, exports of raw poultry to Mexico would require an official certificate stating that products come from a farm free of AI and that tests at the farm were conducted within 15 days of processing. This concerns U.S. exporters because their inspection service (government) does not issue such certificates. The U.S. government voiced its opposition to the change in regulation late November 1997 to the Mexican government.

According to Mexican industry officials, the root of local producer support for animal health and food safety regulation is the perception that NAFTA has benefited only U.S. poultry exporters.

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This is despite the fact that the poultry sector negotiated TRQ's for commodity products over a 10 year transition period. In addition, local producers consider NAFTA a bad deal because U.S. animal health and food safety concerns prevent access of Mexican poultry to the U.S. Also, duty free U.S. raw poultry products are further processed in Mexico and then re-exported back to the U.S. under a program entitled PITEX.

# Russian Federation

## Basic Information

| | |
|---|---|
| Land area: | 16 995 800 sq.km |
| Population: | 148 178 487 (1996) |
| Total GDP: | US $489 Billion (1996) |
| Capital city: | Moscow |
| President: | Boris N. Yelstin |
| Minister of Agriculture: | Viktor Semenov |
| Canadian Ambassador: | Anne Leahy |

## Canadian-Russia Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **86.463** | **125.364** |
| **Total Agri-Food Imports:** | **2.705** | **2.656** |
| **Agri-Food Trade Balance** | **83.758** | **122.708** |

### Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **86.463** | **125.364** |
| Pork, boneless, frozen | 35.494 | 32.172 |
| Tobacco, raw or unmanufactured | 0.000 | 15.816 |
| Smoking tobacco | 17.922 | 14.789 |
| Sausages, meat & offal products | 4.488 | 11.747 |
| Coffee extracts, essences & concentrates | 0.674 | 11.662 |

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### Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
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| **Total Agri-Food Imports:** | **2.705** | **2.656** |
| Vodka | 2.147 | 2.274 |
| Raw fox furskins, whole | 0.090 | 0.203 |
| Essential oils | 0.026 | 0.048 |
| Fruits and edible nuts, uncooked | 0.015 | 0.041 |
| Cereal bran, sharps and other residues | 0.000 | 0.022 |

## Russia Agri-Food Imports

**Total Agri-Food Imports (1996): US $12.828 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Chocolate | 957.267 | Germany |
| Poultry meat | 850.538 | USA |
| Spirits & liqueurs | 747.352 | Germany |
| Cigarettes | 636.132 | Germany |
| Food preparations | 603.998 | Poland |

### Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **190.356** | **300.824** |
| Pork, boneless, frozen | 11.698 | 35.494 |
| Smoking tobacco | 0.000 | 17.922 |
| Central heating boilers | 0.000 | 11.813 |
| Transmission/reception apparatus | 9.643 | 11.675 |
| Parts for telephone lines | 9.323 | 10.744 |

## *ABOUT THE RUSSIAN FEDERATION'S POULTRY INDUSTRY.....*

### *1. Current Situation*

Poultry production stabilized in Russia after several years of decline. Both production and flock size will likely increase in 1998. This came about because of low grain prices and increased investment in the sector by banks, meat processors, poultry importers, foreign companies and regional governments. The picture for imports is mixed. While falling prices should help imports which are more price competitive, recent hikes in the value-added tax (VAT), import duties and devaluation of the ruble will reduce consumption.

The Russian poultry industry reached the bottom of its downward trend in 1997. While the state continued to withdraw direct subsidies, there was increased investment in the sector by private interests domestic and foreign, as well as by regional governments. In the foreseeable future Russia will continue to rely on imports to support domestic consumption. Imports of poultry rose by 35% in 1997 over the previous year.

The sector is typified by a meat and egg operation located just outside Moscow. During 1997, the plant produced 12 million eggs and 127 tons of meat, this compares to 83 million and 1,368 million in 1992 respectively. In years past, the federal government and the city of Moscow supported poultry operations in Moscow with direct subsidies. This financial support has been reduced and production has contracted sharply. Agricultural Ministry officials report that some 30 poultry plants in Moscow are operating at about one-third capacity.

The principle cause of the decline can be attributed to the scarcity and high cost of quality mixed feeds and high energy costs. Production is reported at 30,000 tons of meat compared to 120,000 in the previous year. The city of Moscow and the government have not abandoned the industry. Reportedly they have signed an agreement on cooperation in which the governments have committed 36 billion rubles ($6 million) for the reconstruction and technical renovation of poultry plants.

Although production costs in Russia are high and are not expected to be reduced significantly soon, the head of the Russian Poultry Industry Council said that there are good examples of highly efficient poultry plants.

### *2. Production*

The decline in Russian poultry production is beginning to bottom out. Although flock size decreased by 4% in 1997, the Russian Ministry of Agriculture expects it to increase in 1998. From January to March of this year, the Russian flock grew by 4% over the same period in 1997. Approximately 6.3 kilos of domestic poultry meat was produced per capita in 1997, 10% less than in 1996.

**Flocks in million head**

| 1990 | 1995 | 1996 | 1997 | 1998 (forecast) |
|---|---|---|---|---|
| 660 | 423 | 372 | 360 | 380 |

Source: Russian State Statistics

As a result of the larger flock, poultry meat production is predicted to grow in 1998 for the first time this decade. In the first quarter of 1998, poultry meat production increased by 12% and it is expected that it will average a 10% growth for the entire year.

**Poultry meat production, MT 1000**

| Plants | 1994 | 1995 | 1996 | 1997 | 1998 (est.) |
|---|---|---|---|---|---|
| Total | 1,069 | 859 | 719 | 630 | 680 |
| Collective farms | 737 | 559 | 439 | 355 | 380 |
| Individual plots | 329 | 297 | 277 | 272 | 296 |
| Private farms | 3 | 3 | 3 | 3 | 4 |

Source: Russian State Statistics

Some poultry and egg farms have managed to modernize their operations. The Russian trade estimates that 15% of the poultry plants are profitable, while another 70% are capable of efficient production.

Production efficiency is improving. For example, daily weight gain has increased, at the end of the 80's, a level of 26 grams per day was considered excellent. Today 30 to 40 grams, daily weight gain is the rule at most successful plants. Large Russian poultry meat traders are also planning to invest in poultry production. Up to now they lacked the resources to produce poultry meat efficiently but are investing in poultry production through purchases of pedigree stock, feed mills etc.

To help the poultry industry recover, the Russian Grain Union, which unites 150 Russian grain market participants, is proposing a program to the Russian government that would create 1.2 million tons of additional poultry production annually by the beginning of 1999. Under their proposal, all inputs used by feed mills would be exempt fromVAT. The Union proposal also calls for increased competition in the feed mill industry by further privatizating ownership. They also appealed to the Russian government to purchase poultry from the domestic producers at guaranteed prices.

**Flocks in million head**

| 1990 | 1995 | 1996 | 1997 | 1998 (forecast) |
|---|---|---|---|---|
| 660 | 423 | 372 | 360 | 380 |

Source: Russian State Statistics

As a result of the larger flock, poultry meat production is predicted to grow in 1998 for the first time this decade. In the first quarter of 1998, poultry meat production increased by 12% and it is expected that it will average a 10% growth for the entire year.

**Poultry meat production, MT 1000**

| Plants | 1994 | 1995 | 1996 | 1997 | 1998 (est.) |
|---|---|---|---|---|---|
| Total | 1,069 | 859 | 719 | 630 | 680 |
| Collective farms | 737 | 559 | 439 | 355 | 380 |
| Individual plots | 329 | 297 | 277 | 272 | 296 |
| Private farms | 3 | 3 | 3 | 3 | 4 |

Source: Russian State Statistics

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Despite recent improvements in the industry, the Russian poultry sector is hampered by obsolete technologies and management. Further progress will require more vertical integration, including feed mill production, meat processing and improved distribution. The industry suffers from excessive concentration of birds in a single location. While modern western poultry operations segregate birds by age at separate locations, Russian farms tend to be mammoth operations at a single location which increases losses to disease. This problem is further exacerbated by the current ban on imports of effective vaccines. Until further reforms take effect, the health of the Russian poultry industry will remain poor. According to the Russian Grain Union, 49 out of 124 broiler farms are completely idle, while 60 were working at 25% capacity and only 24 working near full capacity. Government subsidies remain important. Only 10 plants are functioning without subsidies and 2 of these were profitable at the end of 1997.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| n.a | n/a | 1428000 | 1277000 | 1069000 | 859000 | 719000 | 630000 |

Source - FAO Data Base

## *3. Consumption*

Poultry meat consumption is expected to remain stable through 1999 as consumers substitute it for other more expensive meat products. Continued problems in the Russian poultry industry will also keep imports strong despite the fall in per capita meat consumption which fell from 76 kg in 1990 to 50 kg in 1997.

In the short term, despite the devaluation of the ruble consumption should be boosted by the recent decision to suspend payments on government debt. Instead of being paid to creditors, 4 billion rubles (S580 million U.S.) per week will go to workers who are owed more than S10 billion in back wages. Since Russians spend about 50% of their income on food, this will translate to almost S300 million in extra spending on food per week.

## *4. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 193 | 578 | 6159 | 5417 | 18154 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 49 | 146 | 5839 | 6018 | 24518 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 407 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 437 |

Source - FAO Data Base

**Specifically**

The Russian Federation has been Canada's 2nd (1995-96) and 3rd (1997) most important market based on quantity of product exported. Canada exported 14,035,076 kgs. in 1995, 13,530,390 kgs in 1996 and 16,193,310 kgs. in 1997. The type of Canadian products exported to the Russian Federation include: chicken portions bone in, mechanically deboned chicken, mechanically deboned turkey, turkey portions bone in, poultry giblets, poultry burgers, nuggets, strips, mechanically deboned fowl, chicken hindquarters, turkey portions boneless, whole eviscerated duck, chicken frames, cooked chicken boneless, fowl portions, turkey feet/tails, whole eviscerated goose, whole eviscerated turkey and whole eviscerated chicken.

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/russiae.htm**

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 49 | 146 | 5839 | 6618 | 24518 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 407 |

**Live Chickens Exported (1000$)**

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## *4. Imports*

The Moscow poultry market has an over abundance of domestic and imported product. Prices have been falling because of increased production in several plants around the city, higher poultry imports and seasonal reduction of meat consumption that occurs in the summer. This deflation has hurt Russian poultry producers who were not prepared for the glut and face excess of poultry stocks and large losses. This situation is especially aggravated by the lack of cold storage, which has forced prices down further as sellers sought to reduce their stocks.

These low prices have stimulated imports of lower priced chickens considerably. Russian poultry imports increased significantly in 1997 and will remain stable through 1999 despite higher duties and VAT. Because more bulk and intermediate products are used in food processing any further duty hikes will likely be on value added products such as hot dogs and sausages.

On the other hand, prices are expected to rise in the near future on average by a minimum of 10 to 20% on all products in Russia. This is the result of implementation of 3% additional special temporary customs duty on all imports and an increase of VAT from 10 to 20% on all products with the exception of baby's food, bread and milk and a 5% tax on all purchases. The ruble devaluation will add to these increases. Because of duty hikes and the effects the VAT will have on the food distribution system, prices for imports are likely to increase more than for domestic products.

**Poultry Imports (amount 1,000 MT)**

| | |
|---|---|
| 1993 | 73.9 |
| 1994 | 500.6 |
| 1995 | 825.4 |
| 1996 | 754.4 |
| 1997 | 1147 |

Source: Russian State Statistics

Preliminary data shows in 1997 that all countries increased poultry exports to Russia. The most significant increase was from the E.U. (in particular the Netherlands, France, Germany, Belgium and Great Britain).

**Imports for poultry meat and edible offal, fresh/chilled and frozen**

| | 1996 | | 1997 (estimated) | |
|---|---|---|---|---|
| | MT | $1000 | MT | $1000 |
| Total including: | 745,000 | 509,179 | 120,000 | 945,000 |
| U.S. | 588,873 | 389,206 | 920,000 | 790,000 |
| Netherlands | 54,243 | 33,100 | 66,800 | 37,600 |
| France | 45,770 | 35,103 | 74,600 | 52,700 |
| Belgium | 13,585 | 9,024 | 38,700 | 26,400 |
| Canada | 11,966 | 10,282 | 11,000 | 15,000 |

Source: Russian State Statistics

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 45704 | 73900 | 500611 | 825406 | 752000 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 47422 | 72927 | 445063 | 696735 | 635000 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 1833 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 5843 |

Source - FAO Data Base

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**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 1833 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| n/a | n/a | 0 | 0 | 0 | 0 | 5843 |

Source - FAO Data Base

## *6. Policy*

The Minister of Agriculture in Russia was expected to announce a new agricultural development policy at the end of August. Details have been revealed and include increasing state regulation; the elimination of price disparity between regions, more state support for large specialized farms, including poultry plants, creating more producers' associations and developing new technologies. Because of fiscal constraints, it is unclear how such programs will be implemented. No other information concerning the announcement or implementation of their proposal has been received to this date.

Russia has begun to implement new shelf life standards that could pose a potential barrier to exports, especially of the products where the limits are short such as for 6 week broilers, goose and broilers not packed in polymer film. In addition other similar standards have been found to be WTO inconsistent. Note: Russia is not a member of WTO.

## *7. Prices*

Although it is too early to gauge the exact effects on prices of the devaluation and the duty, VAT and sales tax hikes, prices for the last few months have been stable. Retail prices differ significantly in Moscow as well as in other cities. The average price on domestic and imported chicken legs is about 11 rubles (S1.77 U.S.) per kilo and whole bird is traded at 15 rubles (S2.42 U.S.) per kilo at small wholesale markets where retail sales also take place. At the same time in relatively expensive supermarkets prices can be 40% higher for the same brands.

Regarding prices, it should be noted that since January 1998, 1,000 rubles equal 1 new ruble; thus equivalent to S2.50 U.S. would equal 15 rubles.

**Retail price examples for the early part of 1998 were**:

Retail Prices (in U.S. dollars per kilo)

| | | |
|---|---|---|
| whole chickens | Russia | 3.26 - 4.16 |
| | France | 3.16 |
| | U.S. | 5.00 |
| | Brazil | 5.73 |
| whole turkey | France | 9.56 |
| | U.S. | 5.13 - 5.75 |
| leg quarters | Russia | 3.53 - 5.50 |
| | Netherlands | 2.66 |
| | U.S. | 2.00 - 4.33 |

| | | |
|---|---|---|
| breasts without back | Russia | 6.93 |
| | U.S. | 18.00 |
| ground meat | Russia | 3.55 |
| chicken wings | Russia | 3.34 |
| chicken liver | Russia | 3.83 |
| chicken hot dogs | Russia | 3.67 |

## *8. Tariffs*

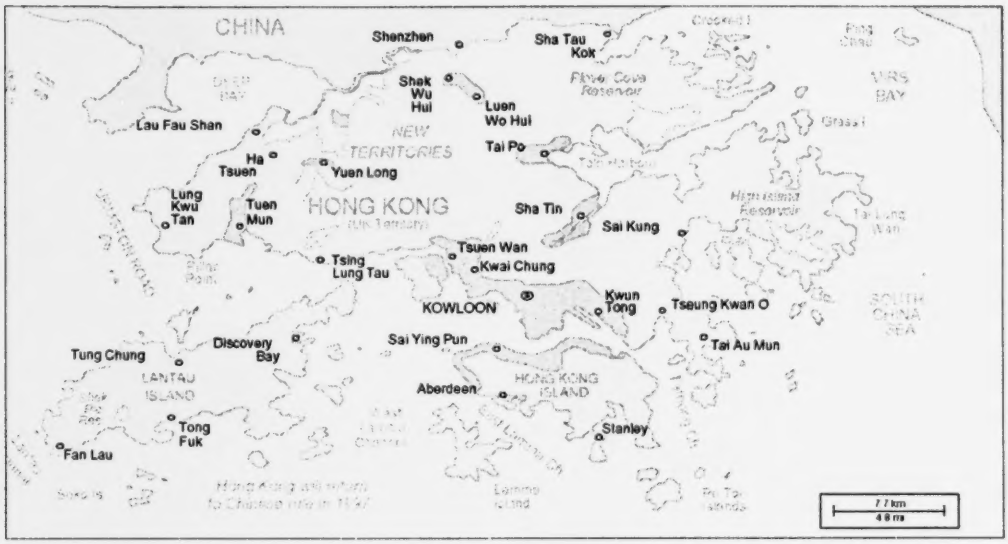
The tariff on imported chicken meat remains 30% but not less than 0.3 Ecu/kg. There are rumors in the press that tariffs will be increased up to 33-35% on poultry meat.

On December 19, 1997 the Government of the Russian Federation issued Resolution #1608 "On Partial Changes of Types of Import Customs Duties approved by the Government of the Russian Federation on December 27, 1996, #1560". The Resolution does not change the rates of customs duties but adds the minimum value (in ECU per 1 kg or per 1 piece) for each group of selected products. It will also help to prevent under-invoicing of goods and products imported into Russia. The new combined rates are effective February 1, 1998. The following products were included in the resolution.

| | former rates | new rates |
|---|---|---|
| turkey, not cut/fresh/chilled | 15% | 15% but not less than 0.15 ECU/1kg |
| cuts and sub products, frozen | | |
| not cut ducks, goose, fresh/chilled | | |
| not cut ducks, goose, frozen | | |
| other parts of ducks goose fresh/chilled | | |
| other parts of ducks, goose, frozen | | |

According to estimates by Russian importers of listed products, implementation of combined rates of import tariffs in most cases will lead to increases in custom tariffs payments. Chicken and turkey hot dogs and mechanically deboned meat were not affected by the legislation.

# Hong Kong




## Basic Information

| | |
|---|---|
| Land area: | 990 sq. km |
| Population: | 6 305 413 (1996) |
| Total GDP: | US $153.2 Million (1996) |
| Capital city: | Victoria |
| Chief Executive: | Tung Chee Hwa |
| Director of Agriculture and Fisheries: | L.K.Y. Wei |
| Canadian Consul General: | Colin Russel |

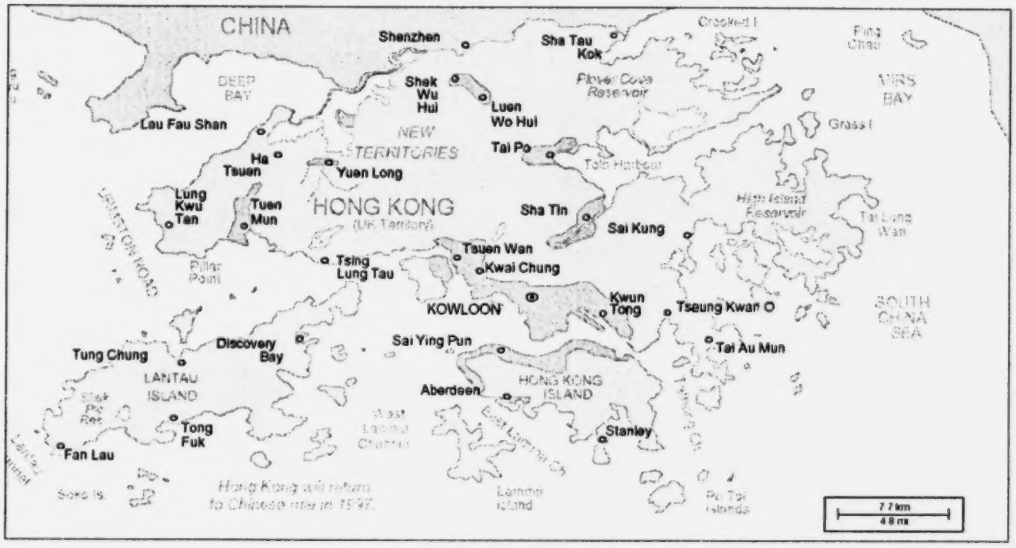
## Canadian-Hong Kong Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **258.990** | **305.206** |
| **Total Agri-Food Imports:** | **30.819** | **36.639** |
| **Agri-Food Trade Balance** | **228.171** | **268.567** |

### Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **258.990** | **305.206** |
| Canola oil | 66.308 | 79.569 |
| Ginseng roots | 58.220 | 44.512 |
| Raw mink furskins, whole | 25.936 | 31.917 |
| Raw tobacco, unmanufactured | 4.159 | 19.023 |
| Swine, edible offal, frozen | 11.008 | 17.478 |

# Hong Kong

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## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **30.819** | **36.639** |
| Sauces and preparations | 4.638 | 5.777 |
| Non-alcoholic beverages | 2.799 | 3.714 |
| Pasta | 1.457 | 3.331 |
| Plant parts, pharmaceutical | 1.839 | 1.939 |
| Food preparations | 1.529 | 1.474 |

# Hong Kong Agri-Food Imports

**Total Agri-Food Imports from the World (1995) : US $10.6 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Cigarettes | 959.354 | China |
| Poultry | 636.268 | USA |
| Spirits & liqueurs | 453.472 | France |
| Food preparations | 441.809 | USA |
| Vegetable oils | 349.928 | China |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **1,380.844** | **1,109.266** |
| Newsprint, in rolls or sheets | 111.310 | 102.676 |
| Electrical parts for telephone lines | 93.670 | 84.702 |
| Canola oil | 7.392 | 59.075 |
| Ginseng roots | 61.641 | 58.220 |
| Artificial filament tow | 39.242 | 33.612 |

## *ABOUT THE POULTRY INDUSTRY IN HONG KONG.....*

### *1. Production*

In August 1997 the Hong Kong Department of Health announced that a strain of influenza A virus (H5N1) had been identified for the first time in humans. The H5N1 virus which affected birds primarily, produced 18 confirmed cases in humans of which six died as of January, 1998.

The Hong Kong government identified live chickens as carriers of the virus and since China supplies more than 80% of all live chickens in Hong Kong, officials suspended importation of live chickens from China to Hong Kong on December 24, 1997. December 28, inspectors from Hong Kong's Agriculture & Fisheries Department confirmed a large number of chickens suspected of the virus infection had died in a local wholesale market. After much deliberation, the Government moved forward with a highly controversial plan to slaughter all 1.5 million live chickens in Hong Kong within 24 hours. Actually the eradication plans were not carried out as planned given a lack of eradication chemicals and adequate waste disposal capacity. It took the government 5 days to slaughter all the chickens further fueling controversy.

Then came a highly politicized compensation issue by poultry handlers unhappy that their livelihood had been eliminated and with an unsatisfactory initial compensation package offered by the government. Emotions ran high in Hong Kong among farmers, politicians, traders and vendors who took to the streets on January 5, 1998 demonstrating against the Hong Kong Government. Protesters camped outside the Central Government offices, publicly admonishing the government and demanding more than HKS16-36 (USS2.00-4.70) per bird offered.

Meanwhile, the Hong Kong Agricultural & Fisheries Department has adopted more stringent sanitary requirements for the licensing of chicken farms. In December 1997, there were about 160 chicken farms registered with the government. Following the poultry crisis, many farms will not survive given the impending and additional licensing requirements sure to increase operational costs. Consequently, the number of farms in Hong Kong is expected to drop significantly.

**Chicken Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 76,830 | 71,914 | 72,188 | 71,291 | 54,400 | 50,200 | 49,940 | 49,940 |

**Duck Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 12,288 | 10,086 | 6,566 | 6,029 | 5,134 | 5,566 | 5,542 | 5,542 |

Source - FAO Data Base

## *2. Consumption*

The impact of H5N1 on Hong Kong's chicken consumption is pervasive and immense. Chicken meat consumption in Hong Kong remains at its lowest in history. All live chicken stalls have been closed since December 29, 1997 and remain closed. Consumption of frozen chicken is significantly down as well. Retailers suggest frozen chicken sales were down by as much as 80% in the retail sector (supermarkets) during December, early January.

From mid January, frozen chicken (from Brazil and the U.S.) consumption rebounded some. However, chicken consumption remains about 40% of pre-chicken flu crisis levels. Although chicken is a staple food and basic component in Cantonese cooking, Hong Kong consumers avoided it like the flu. The consumption is likely to rebound fully in the longer term yet so far consumption for the first month of 1998 continues to be minimal. Chicken production will not likely rebound to pre-crisis levels until such time as no new cases of H5N1 are reported and consumers feel comfortable the threat of transmission has been eliminated. It is believed that when a new system is in place to test the birds for the virus and live birds return to Hong Kong, sales of chicken should begin to drift back toward normal levels. The importation of live chicken resumed on February 7, 1998.

**Average retail prices of poultry, relative to beef and pork were: (in U.S. funds/kg.)**

| | 1994 | 1995 | 1996 | 1997 (Jan. to (Sept. average) |
|---|---|---|---|---|
| chicken, top grade | $4.55 | $4.62 | $5.02 | $4.70 |
| duck, top grade | 2.78 | 2.96 | 3.18 | 3.30 |
| beef, best quality | 5.70 | 6.60 | 7.10 | 7.71 |
| pork, best quality | 4.67 | 5.15 | 5.34 | 5.52 |
| pork chop | 5.73 | 6.21 | 6.52 | 6.68 |

## *3. Trade*

Recent economic turmoil in Asia sent shock waves through the region with the Hong Kong stock market index plummeting from an all-time high over 16,000 in August 1997 to about 8,000 in January, 1998. Currency devaluation in Asia has made exports more competitive. While these suppliers have not traditionally been significant poultry exporters, some spot purchasing has displaced short term poultry imports. For example, Thailand in 1996 exported only 2,993 MT of poultry products to Hong Kong, with a minimal market share (0.4%) of Hong Kong imports. For the most part, currency devaluation has not resulted in large poultry supplier shifts.

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### *1. Production*

In August 1997 the Hong Kong Department of Health announced that a strain of influenza A virus (H5N1) had been identified for the first time in humans. The H5N1 virus which affected birds primarily, produced 18 confirmed cases in humans of which six died as of January, 1998.

The Hong Kong government identified live chickens as carriers of the virus and since China supplies more than 80% of all live chickens in Hong Kong, officials suspended importation of live chickens from China to Hong Kong on December 24, 1997. December 28, inspectors from Hong Kong's Agriculture & Fisheries Department confirmed a large number of chickens suspected of the virus infection had died in a local wholesale market. After much deliberation, the Government moved forward with a highly controversial plan to slaughter all 1.5 million live chickens in Hong Kong within 24 hours. Actually the eradication plans were not carried out as planned given a lack of eradication chemicals and adequate waste disposal capacity. It took the government 5 days to slaughter all the chickens further fueling controversy.

Then came a highly politicized compensation issue by poultry handlers unhappy that their livelihood had been eliminated and with an unsatisfactory initial compensation package offered by the government. Emotions ran high in Hong Kong among farmers, politicians, traders and vendors who took to the streets on January 5, 1998 demonstrating against the Hong Kong Government. Protesters camped outside the Central Government offices, publicly admonishing the government and demanding more than HKS16-36 (USS2.00-4.70) per bird offered.

Meanwhile, the Hong Kong Agricultural & Fisheries Department has adopted more stringent sanitary requirements for the licensing of chicken farms. In December 1997, there were about 160 chicken farms registered with the government. Following the poultry crisis, many farms will not survive given the impending and additional licensing requirements sure to increase operational costs. Consequently, the number of farms in Hong Kong is expected to drop significantly.

**Chicken Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 76,830 | 71,914 | 72,188 | 71,291 | 54,400 | 50,200 | 49,940 | 49,940 |

**Duck Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 12,288 | 10,086 | 6,566 | 6,029 | 5,134 | 5,566 | 5,542 | 5,542 |

Source - FAO Data Base

## *2. Consumption*

The impact of H5N1 on Hong Kong's chicken consumption is pervasive and immense. Chicken meat consumption in Hong Kong remains at its lowest in history. All live chicken stalls have been closed since December 29, 1997 and remain closed. Consumption of frozen chicken is significantly down as well. Retailers suggest frozen chicken sales were down by as much as 80% in the retail sector (supermarkets) during December, early January.

From mid January, frozen chicken (from Brazil and the U.S.) consumption rebounded some. However, chicken consumption remains about 40% of pre-chicken flu crisis levels. Although chicken is a staple food and basic component in Cantonese cooking, Hong Kong consumers avoided it like the flu. The consumption is likely to rebound fully in the longer term yet so far consumption for the first month of 1998 continues to be minimal. Chicken production will not likely rebound to pre-crisis levels until such time as no new cases of H5N1 are reported and consumers feel comfortable the threat of transmission has been eliminated. It is believed that when a new system is in place to test the birds for the virus and live birds return to Hong Kong, sales of chicken should begin to drift back toward normal levels. The importation of live chicken resumed on February 7, 1998.

**Average retail prices of poultry, relative to beef and pork were: (in U.S. funds/kg.)**

| | 1994 | 1995 | 1996 | 1997 (Jan. to (Sept. average) |
|---|---|---|---|---|
| chicken, top grade | $4.55 | $4.62 | $5.02 | $4.70 |
| duck, top grade | 2.78 | 2.96 | 3.18 | 3.30 |
| beef, best quality | 5.70 | 6.60 | 7.10 | 7.71 |
| pork, best quality | 4.67 | 5.15 | 5.34 | 5.52 |
| pork chop | 5.73 | 6.21 | 6.52 | 6.68 |

## *3. Trade*

Recent economic turmoil in Asia sent shock waves through the region with the Hong Kong stock market index plummeting from an all-time high over 16,000 in August 1997 to about 8,000 in January, 1998. Currency devaluation in Asia has made exports more competitive. While these suppliers have not traditionally been significant poultry exporters, some spot purchasing has displaced short term poultry imports. For example, Thailand in 1996 exported only 2,993 MT of poultry products to Hong Kong, with a minimal market share (0.4%) of Hong Kong imports. For the most part, currency devaluation has not resulted in large poultry supplier shifts.

In general the poultry trade in 1997, in Hong Kong was weaker than 1996, with total imports rising by about 7%, compared to 16% the previous year. The major reason is decreased China market demand given about 70% of Hong Kong's poultry imports end up in China. In 1996, re-exports to China increased by 66% but in 1997 experienced only a 3% rise. A couple of reasons for the weakened demand for poultry in China were:

Overall economic growth rates in China have slowed due to government efforts to rationalize economic expansion with policies designed to cool down the economy. Consequently some capital shortage has resulted in more conservative consumption behavior.

Poultry inventories in China have increased significantly. Trade sources reveal inventories are also high due to a 1996 European Union ban on Chinese poultry, lower Chinese poultry export quotas to Japan and reportedly Japan's concern over poultry related diseases on the mainland.

Since October 1997, poultry prices in the Chinese market have dropped some 30%. Many Hong Kong importers placed additional orders in October fully expecting to re-export these imports to China, taking advantage of the seasonal demand increases usually associated with autumn and winter. Anticipated demand increases simply did not materialize. As a result, Hong Kong traders accumulated large inventories and incurred big losses. In late December 1997, Hong Kong suspended importation of live chickens resulting in even larger inventories in China. At this same time, Chinese poultry export quotas (China to Japan), were reduced starting in 1998 by one-third. China lowered the export quotas to force export prices higher but caused Chinese poultry inventories to remain high, resulting in decreased demand for poultry exports from Hong Kong to China.

It is estimated that a decline of about 5% occurred in Hong Kong's poultry imports or about 810,000 MT while total exports increased slightly by 1% to 576,000 MT for 1998.

## *4. Exports*

**Poultry Meat Exports - (in metric tons)**

| | 1996 | 1997 |
|---|---|---|
| China | 541,015 | 557,511 |
| Macau | 26,682 | 11,039 |
| North Korea | 38 | 36 |
| Others not listed | 265 | 275 |
| Grand Total | 568,000 | 568,861 |

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| Others not listed | 265 | 275 |
| Grand Total | 568,000 | 568,861 |

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 73,400 | 95,010 | 105,965 | 164,764 | 199,991 | 319,937 | 520,598 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 66,658 | 81,452 | 90,326 | 137,948 | 178,415 | 316,561 | 502,663 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 40,392 | 40,298 | 42,294 | 42,344 | 43,582 | 44,642 | 46,119 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 63,967 | 62,253 | 72,352 | 69,283 | 80,120 | 98,930 | 95,520 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,544 | 2,146 | 2,027 | 1,948 | 2,084 | 2,834 | 5,137 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,544 | 2,146 | 2,027 | 1,948 | 2,084 | 2,834 | 5,137 |

**Live Ducks Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,151 | 4,987 | 6,939 | 1,834 | 1,636 | 1,712 | 3,822 |

**Live Ducks Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,881 | 10,293 | 10,519 | 589 | 536 | 581 | 10,851 |

Source - FAO Data Base

**Turkey Meat Exports**

| | 1995 MT | 1996 MT | 1997 MT (Jan./Sept.) |
|---|---|---|---|
| China | 10,683 | 18,917 | 18,242 |
| Others | 115 | 499 | 241 |
| Total | 10,798 | 19,416 | 18,483 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2,559 | 1,087 | 1,536 | 2,472 | 2,160 | 10,783 | 16,340 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2,181 | 1,227 | 1,686 | 2,760 | 2,856 | 10,939 | 15,484 |

**Live Turkeys Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 76 | 100 | 12 | 0 | 0 | 0 | 120 |

**Live Turkeys Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 215 | 304 | 27 | 0 | 0 | 0 | 338 |

Source - FAO Data Base

**Specifically**

Hong Kong ranked as the 6th most important export market for Canada between 1995 to 1997, based on quantity of product exported. The type of chicken and duck products exported were: chicken portions raw bone-in, chicken feet and tails, fowl portions raw, raw prepared bone-in chicken, other poultry portions raw, poultry giblets, whole eviscerated other poultry, chicken skin, poultry burgers, nuggets, strips, whole eviscerated fowl, frozen poultry dinners, other poultry smoked cured dried, chicken wings and duck portions. Poundage exported was 1,756,857 kgs in 1995, 1,745,233 kgs in 1996 and 2,024,994 kgs in 1997 (source - Canadian Food Inspection Agency).

The type of turkey products exported include; whole eviscerated raw turkey, turkey skin, turkey portions raw bone-in, and turkey portions raw boneless. Poundage exported was 64,084 kgs in 1995, 763,244 kgs in 1996 and 174,940 kgs in 1997 (source - Canadian Food Inspection Agency).

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: : **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/hongkong.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *5. Imports*

**Poultry Meat Imports - (in metric tons)**

| | 1996 | 1997 |
|---|---|---|
| U.S. | 530,687 | 556,257 |
| China | 40,966 | 35,776 |
| Brazil | 58,621 | 75,284 |
| Netherlands | 33,352 | 35,316 |
| United Kingdom | 37,572 | 46,747 |
| Canada | 23,706 | 26,855 |
| France | 14,311 | 10,731 |
| Argentina | 10,291 | 11,345 |
| Australia | 9,675 | 0 |

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| Canada | 23,706 | 26,855 |
| France | 14,311 | 10,731 |
| Argentina | 10,291 | 11,345 |
| Australia | 9,675 | 0 |

| | | |
|---|---|---|
| Others not listed | 39,819 | 58,440 |
| Grand Total | 799,000 | 856,751 |

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 162,933 | 206,315 | 276,984 | 339,128 | 467,471 | 647,148 | 710,340 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 184,172 | 223,583 | 276,118 | 315,416 | 467,575 | 690,160 | 726,688 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 35,250 | 33,285 | 32,278 | 34,865 | 31,541 | 38,122 | 52,769 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 64,111 | 60,251 | 71,192 | 64,592 | 58,445 | 66,332 | 70,016 |

**Duck Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 7,286 | 9,679 | 11,801 | 11,221 | 13,256 | 17,703 | 23,925 |

**Duck Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,794 | 14,558 | 19,210 | 17,035 | 19,441 | 27,701 | 41,083 |

**Live Ducks Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 29 | 50 | 97 | 64 | 45 | 33 | 74 |

**Live Ducks Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 348 | 840 | 1,382 | 931 | 463 | 425 | 443 |

Source - FAO Data Base

In 1996, the total imports of turkey meat to Hong Kong rose by 21%. The rise was fueled by a surge in demand in China. In 1996, Hong Kong turkey re-exports to China reached 18,917 MT experiencing a precipitous increase of 77%. The U.S. is the biggest supplier of turkey meat to Hong Kong.

Demand for turkey products in China in 1997 stagnated due to weaker market conditions. Consequently, Hong Kong turkey re-exports to China in 1997 were comparable to 1996 levels. However, Brazil increased turkey exports to Hong Kong by a remarkable 949% in 1997. Brazilian exports to Hong Kong are predominantly turkey cuts and offals, with a small volume of whole frozen turkeys exported to this market.

Like chicken products, turkey imports and re-exports are driven primarily by the China market which is weak. Likely turkey product re-exports to China will be modest in 1998.

**Turkey Meat Imports**

| | 1995 MT | 1996 MT | 1997 MT (Jan./Sept) |
|---|---|---|---|
| Brazil | 128 | 338 | 3,545 |
| U.S. | 17,668 | 21,791 | 18,304 |
| Others | 5,768 | 6,350 | 7,810 |
| Total | 23,564 | 28,479 | 29,659 |
| Canada (in kilo) | 1,820,941 | 2,508,477 | 2,199,934 (Jan./Dec.) |

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 29 | 50 | 97 | 64 | 45 | 33 | 74 |

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|---|---|---|---|---|---|---|
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The type of products Canada exported to Hong Kong include: fowl portions raw, chicken feet/tails, chicken portions bone-in, chicken skin, turkey portions bone-in, poultry giblets (livers, hearts, etc.), chicken wings, turkey skin, chicken hindquarters, whole eviscerated fowl, goose portions raw, whole eviscerated raw chicken and turkey.

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,736 | 4,144 | 6,017 | 6,515 | 9,420 | 23,530 | 22,134 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,725 | 6,547 | 8,265 | 8,638 | 12,224 | 27,088 | 21,508 |

**Live Turkeys Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 137 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 1,479 |

Source - FAO Data Base

## *6. Policies*

The chicken flu (H5N1) issue has had a significant impact on Hong Kong's live chicken import policy. Virtually all live chicken imports come from China, more than 99%. Prior to the H5N1 crisis, Chinese chickens enjoyed relatively free access to the Hong Kong market. However, new rules and stricter Hong Kong Agriculture and Fisheries Department enforcement at Man Kam (Hong Kong's major border point with China) has changed the market. The government's responsibility is to check documents issued by Chinese authorities certifying chicken imports have not received special additives for weight gain. Documents can't guarantee products are virus free. The secondary objective of the checkpoint are visual inspections to make sure the chickens are at least delivered in a healthy and sanitory way to Hong Kong.

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| 0 | 0 | 0 | 0 | 0 | 0 | 137 |

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Following the chicken flu crisis, the Hong Kong Government introduced 3 measures to safeguard wholesomeness of imported and domestic live chickens. Firstly, the government, in close cooperation with Chinese authorities is working on a comprehensive plan to improve quarantine regulations and procedures. Second, the government plans to tighten licensing of local chicken farms by imposing stringent hygiene requirements. Thirdly, to avoid cross contamination between chickens, ducks and geese, the government plans to establish a centralized slaughterhouse for ducks and geese.

On January 23, 1998, the Hong Kong government announced that live chicken importation would resume on February 7, 1998. According to the new regulations which took effect January 23, live birds imported to Hong Kong must be accompanied by a health certificate stating they are avian influenza free. Also, a health certificate certifying the birds:

- are free of clinical signs of disease
- during the preceding 180 days, have not been kept at a place infected with the avian influenza virus
- during the preceding 5 days, have been segregated from other birds and tested, with negative results, for avian influenza.

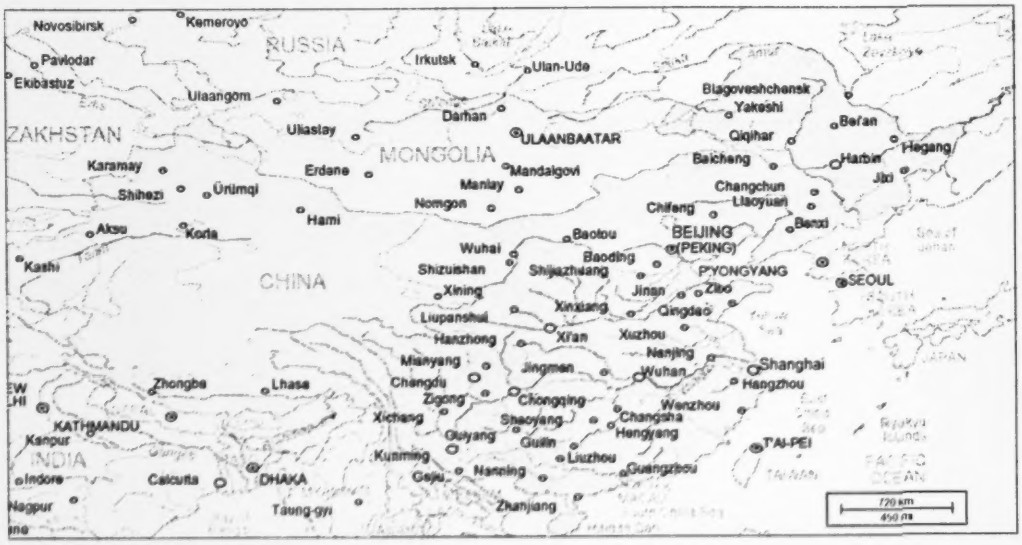
NOTE:

1. The Labeling Amendment Regulation Gazetted in February 1996 made frozen meat products subject to the Hong Kong Labeling Ordinance (specifics not known). The Hong Kong Health Department has not yet announced an effective date.
2. In its bid to become a member of the World Trade Organization, China reduced import duties on a variety of products including poultry products effective October 1, 1997. Import duties were reduced from 45% to 20%. Since the effective import tariff rate for Hong Kong is through "unofficial channels" about 13%, the reduction in import duty had little effect on Hong Kong's re-export trade to China to date.

## *7. Marketing*

In the wake of the "chicken flu" crisis, a number of poultry exporting countries launched ad campaigns and point of purchase materials to highlight the wholesomeness and safety of poultry products. The resumption of live imports presents an opportunity for countries wishing to expand exports through a well thought out strategy for Hong Kong.

# China




## Basic Information

| | |
|---|---|
| Land area: | 9 326 410 sq. km |
| Population: | 1 238 300 000 (1997) |
| Total GDP: | US $815.8 Billion (1996) |
| Capital city: | Beijing |
| President: | Jiang Zemin |
| Minister of Agriculture: | Chen Yao Bang |
| Canadian Ambassador: | Howard Balloch |

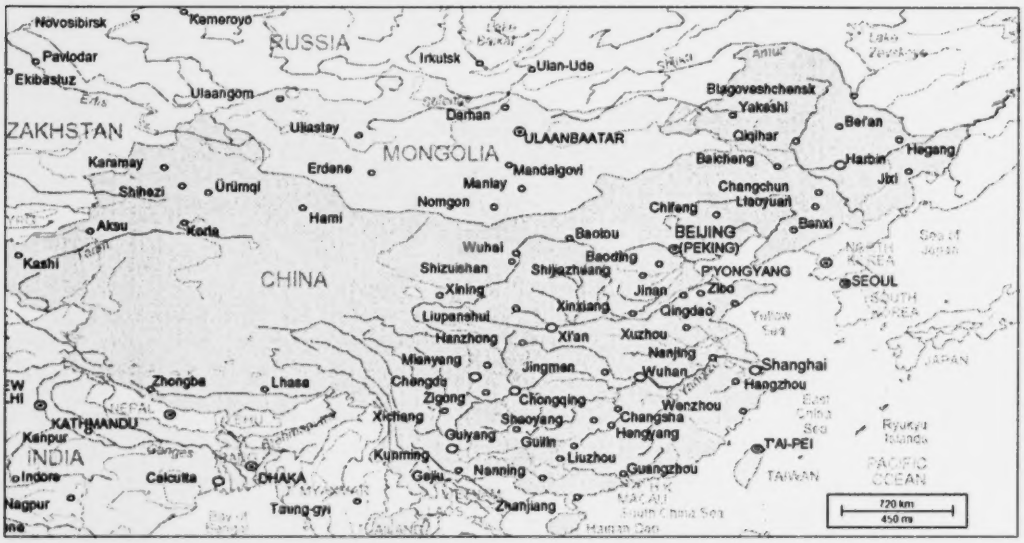
## Canadian-China Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **1,195.807** | **589.315** |
| **Total Agri-Food Imports:** | **180.312** | **164.459** |
| **Agri-Food Trade Balance** | **1,015.495** | **424.856** |

## Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **1,195.807** | **589.315** |
| Non-durum wheat | 919.276 | 296.284 |
| Barley | 170.692 | 146.440 |
| Canola seed | 35.623 | 32.022 |
| Peas, dried, shelled | 15.654 | 20.369 |
| Bovine hides, whole | 6.612 | 19.847 |

# China

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## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **180.312** | **164.459** |
| Mandarins & clementine oranges | 18.346 | 18.699 |
| Plants for pharmaceutical purposes | 10.225 | 9.361 |
| Pasta | 2.244 | 8.806 |
| Feathers used for stuffing | 8.309 | 8.638 |
| Mushrooms, prepared or preserved | 14.141 | 8.351 |

# China Agri-Food Imports

**Total Agri-Food Imports from the World (1995) : US $18.3 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Non-durum wheat | 1,886.704 | Canada |
| Soybean oil | 1,099.660 | Brazil |
| Vegetable oils | 952.240 | Malaysia |
| Sugars, beet and cane | 840.284 | Thailand |
| Corn | 744.102 | USA |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **3,292.672** | **2,706.822** |
| Non-durum wheat | 1,138.554 | 919.275 |
| Chemical woodpulp | 270.853 | 275.074 |
| Electrical parts for telephone lines | 283.354 | 175.578 |
| Potassium chloride | 307.194 | 164.819 |
| Barley | 84.823 | 157.661 |

## *ABOUT THE CHINESE POULTRY INDUSTRY.....*

### *1. Current Situation*

The Chinese poultry industry continued to expand in 1997, but the development speed has slowed with only a 5% annual increase compared with double digit increases in the past. Also, the 1997 avian flu virus outbreak in Hong Kong was disruptive to the production, consumption and trade of poultry in Hong Kong and in the neighboring province of Guangdong. The poultry industry in many parts of the rest of China continued to function although the situation for producers was poor even before the crisis began. According to the Chinese Ministry of Agriculture, average prices for live chickens and broiler meat in wet markets across China declined 5.1% and 2.0% respectively from August to December 1997.

Since January 1998, poultry prices have continued their decline all over China. According to the trade and government officials, at least two forces are contributing to this decline. Firstly, the general slowdown in China's economy that has been occurring since last year, combined with highly visible government reforms aimed at state-owned enterprises, are depressing consumer demand for meat as people begin experiencing job losses and higher costs of living.

Secondly, the economic problems in the rest of Asia are depressing demand for China's meat exports. China's poultry exports in the first quarter of 1998 were down 24% from the same period in 1997, due to increased competition from Thailand, where poultry exports are benefitting from the devalued Baht. Further exacerbating the situation for poultry have been sanitary restrictions. The European Union banned poultry from China last year and exports to Hong Kong halted temporarily at the end of 1997 due to the flu virus. Reduced exports to these markets are adding to the surplus of domestic supplies particularly in southern China.

### *2. Production*

The total meat (pork, beef, mutton and poultry) output reached 62 million metric tons. Total poultry meat production for China in 1997 reached 11.2 million metric tons with a 5% increase compared with 1996. Poultry meat production has slowed down considerably compared with the double digit increases in previous years. At this time the State Statistical Bureau (SSB) is re-examining the production numbers for all types of meat in China during the past decade. Sources believe that some official meat production numbers including poultry meat may have been inflated by roughly 20%.

It has been predicted that total poultry meat production will reach approximately 12.5 million metric tons in 1998 and increase by another 7% in 1999. Several government officials including the Shanghai Animal Plant Quarantine Service have indicated that there is no avian flu virus in China and all poultry products sold in the market are clean and safe.

More than 80% of poultry meat production comes from specialized households which normally breed 10,000 to 200,000 birds for one cycle. Most of them purchase their feed from large-scale commercial feed mills and some of them just make a contract with one large integrated poultry production line. Farmers concentrate on raising chickens and day old chicks and feed is supplied by an integrated group which maintains certain profits for farmers. That's why China's poultry meat production still keeps growing although the market situation is not so satisfactory.

A project was initiated by the Ministry of Science & Technology's Department for Rural Technology in late 1995 on a pilot basis in Beijing and Shanghai municipalities as well as the Shandong, Sichuan, Hebei, Henan, Hubei and Hunan provinces. These areas are the country's major production areas for poultry. Initiated just two years ago, this project aimed at improving poultry production and farmers' incomes. The project encourages the removal of individual households' cattle, pigs and chickens to centralized enclosures where they can improve feeding, ventilation, temperature and health care. According to Ministry officials farmers can join the project voluntarily. Local statistics indicate that poultry reproduction, growth rates and incomes in these areas have proven remarkably successful.

Modernized large scale poultry farming is practiced in most developed countries. Technology contributes 70-80% to animal husbandry production in developed countries. Technology's contribution to agricultural production in China is much lower than that of developed countries and the critical task for agricultural production for the next century is to improve people's diets while feeding the country's huge population.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,583,118 | 3,095,322 | 3,514,068 | 4,496,791 | 5,096,745 | 6,002,313 | 7,364,715 | 7,564,715 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 574,645 | 644,210 | 771,733 | 970,249 | 1,071,944 | 1,274,921 | 1,673,392 | 1,723,392 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 3,016 | 2,530 | 2,162 | 2,070 | 1,820 | 1,650 | 1,580 | 1,580 |

Source - FAO Data Base

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Source - FAO Data Base

## *3. Consumption*

Consumption trends have become a key constraint to developing China's poultry industry. More than 80% of poultry production comes from specialized households who never did any type of marketing by themselves. Therefore poultry meat is still mostly sold as a commodity with little sophisticated marketing. No government agency nor producer association has ever developed a consumer campaign to boost poultry meat sales. The current reduction in consumer demand for meat caused by supply and demand cycles and government economic policies is likely only temporary. Overall meat consumption, especially beef and poultry is increasing.

Total per capita meat (pork, beef, mutton and poultry) and poultry consumption reached 50.2kg and 17kg respectively by the end of 1997. The increase of 3.8% in per capita meat production is a slowdown from previous years. Chinese consumers are eating a wider variety of seafood and fresh produce that are not measured by the total meat figure.

Chinese consumers prefer live chickens or fresh/chilled poultry meat rather than frozen. However, frozen chicken purchases are becoming increasingly popular and it is expected that this trend will continue. Also, most local consumers are getting more concerned about the brand name, for example "Dajiang" (the leading brand of locally produced frozen poultry which to them signifies high quality, cleanliness and safety) rather than the appearance of the product itself. At this point in time, fried chicken is the most sought after menu item in the fast food industry, specifically in Shanghai. Most imported poultry meat products are used in speciality dishes and dark meat parts used for fast food and food institutions.

In addition to chicken meat, Chinese people enjoy roast duck, goose and other poultry products including wild poultry.

**Per Capita Meat Consumption (kgs/person)**

| | 1993 | 1994 | 1995 | 1996 | 1997* |
|---|---|---|---|---|---|
| **Poultry** | 4.84 | 6.34 | 7.79 | 8.87 | 9.10 |
| **Pork** | 24.08 | 26.74 | 30.40 | 33.67 | 34.64 |
| **Beef** | 1.97 | 2.70 | 3.41 | 4.13 | 4.37 |
| **Mutton** | 1.16 | 1.30 | 1.64 | 2.00 | 2.10 |
| **Total** | 32.95 | 37.08 | 43.24 | 48.38 | 50.22 |

*estimated figures

Source: China Statistical Yearbooks

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## *4. Trade*

According to many in the industry, China's current poultry situation is bad. There are two main reasons: the first is oversupply in the domestic market where many producers lost money. The second is the price decline of exports to the international market, such as Japan, Hong Kong, South Korea, Middle East Asia and the E.U.. The sluggish market situation seems to be nationwide. Prices decreased and there was a lot of chicken product in the market place. Many wholesalers still have large inventories of frozen chicken products, but the more they sold the more money they lost.

On October 17, 1997, the import tariff rate on frozen poultry parts was reduced from 45% to 20%. The trade did not benefit from the tariff cut as the current cost (about RMB 1,500 to 1,600 / MT) for moving products through those "transportation companies" operating near the Guangdong border are still lower than paying the 20% tariff. Another concern is that the Chinese Customs may, at the same time, adjust upward their estimation of the products value of frozen chicken meat items which is the basis for the tariff calculation. Southern China (Guangdong) ports are still the primary entry points for imported poultry.

There are two obstacles remaining for direct shipments: one is the tariff, the other is the quarantine certificate (import permission). Even if the tariff is lower, the Value Added Tax (VAT, similar to our GST) is still there: 13% without any change. The grand total tariff is 35.6 which is still very high according to the importers who have calculated their costs. Getting an import licence from headquarters in Beijing is a difficulty for importers who seek to import legitimately. It is very difficult to get and requires connections. So that is why the decrease in tariff was not enough to change import and distribution channels.

In China, the biggest concern of the importer is the present dismal market situation. On one hand, importers lost a lot of money due to very low margins. Prices have been dropping since March 1997. Large inventories of imported poultry products from different countries accumulated in China. The importers are much more concerned about sluggish market demand than tariffs. On the other hand, the domestic production was in oversupply which contributed to decreasing prices. A lot of farmers lost money for raising chickens. Due to large inventories, this situation will still exist for a certain period.

Traders believe that China possesses the strength in frozen chicken production, processing and quality control to compete with the frozen chicken export giants in the world. China has, so far, more than 200 companies engaging in frozen production export compared with only about ten firms in Brazil and Thailand respectively. China now exports most of its frozen chicken to Japan and maintains the leading export position for frozen chicken to Japan. Since only China can meet the special requirements of providing processed small and boneless chicken drums to Japan, China has surpassed Brazil and the United States in the export of chicken meat to Japan.

In order to restrict the quantity and maintain high prices for Chinese poultry exported to Japan, the Chinese Ministry of Foreign Trade & Economic Cooperation (MOFTEC) restricts exportation of chicken meat to companies which have both an export license and a quota. The quota system

for exports of frozen poultry was started by MOFTEC on January 1, 1998. An exporter must have quota or he has no way to export his products. At present Shanghai Dajiang Group is the largest Chinese exporter of chicken meat especially chilled chicken to Japan at more than 40,000 metric tons chilled and frozen chicken meat in 1997. According to traders, the planned quantity of Chinese poultry meat to be exported to Japan was reduced by 1/3 starting in 1998. China lowered the export quotas in an effort to maintain high prices for the participating exporters, but as a result more frozen poultry meat stayed on the local market so that Chinese domestic poultry inventories continued to remain high.

**Chinese imports / exports of poultry meat ( units in metric tons)**

| IMPORTS 1997 | | EXPORTS 1997 | |
|---|---|---|---|
| United States | 73,220 | Hong Kong | 35,625 |
| Brazil | 35,801 | Japan | 34,861 |
| Belgium | 9,311 | Korea | 11,185 |
| Argentina | 8,048 | Singapore | 4,759 |
| Australia | 6,806 | UAE | 3,560 |
| France | 6,203 | Others | 89,990 |
| Thailand | 3,684 | Other not listed | 168,524 |
| Canada | 2,068 | Grand Total | 258,514 |
| United Kingdom | 1,935 | | |
| Japan | 1,446 | | |
| Total Others | 75,302 | | |
| Grand Total | 156,504 | | |

Source: China Customs Statistics

## *5. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 37,898 | 45,587 | 79,784 | 100,881 | 174,028 | 258,366 | 305,130 |

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**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 74,656 | 96,408 | 145,698 | 174,568 | 357,768 | 578,291 | 643,915 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 40,392 | 40,298 | 42,294 | 42,344 | 43,582 | 44,642 | 46,119 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 63,967 | 62,253 | 72,352 | 69,283 | 80,120 | 98,930 | 95,520 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 9,732 | 13,422 | 16,297 | 11,709 | 14,989 | 28,153 | 25,220 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 27,435 | 33,715 | 41,664 | 35,370 | 39,838 | 61,718 | 63,610 |

**Live Ducks Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,151 | 4,978 | 6,939 | 1,834 | 1,636 | 1,712 | 3,822 |

**Live Ducks Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 10,881 | 10,293 | 10,519 | 589 | 536 | 581 | 10,851 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1 | 62 | 157 | 136 | 247 | 872 | 232 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2 | 67 | 272 | 269 | 496 | 2,154 | 475 |

**Live Turkeys Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 76 | 100 | 12 | 0 | 0 | 0 | 120 |

**Live Turkeys Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 215 | 304 | 27 | 0 | 0 | 0 | 338 |

Source - FAO Data Base

**Specifically**

China has been Canada's most important market for the past three years (1995-97) in terms of quantity of product exported. Canada exported 17,237,895 kgs. in 1995, 22,504,738 kgs. in 1996 and 28,179,824 kgs in 1997 to China. The type of products exported include: chicken feet/tails, fowl portions bone in, chicken portions bone in, turkey portions bone in, poultry giblets, chicken skin, chicken wings, mechanically deboned chicken, chicken legs, turkey portions boneless, turkey skin, whole eviscerated fowl and chicken, mechanically deboned turkey, duck portions, other poultry portions raw, poultry burgers, nuggets, strips and fresh and frozen ostrich.

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/china.htm**

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## *6. Imports*

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 64,798 | 83,528 | 75,444 | 97,849 | 132,835 | 253,308 | 308,120 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 45,879 | 53,391 | 48,094 | 56,388 | 69,410 | 77,159 | 138,013 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 3,862 | 2,827 | 2,778 | 1,778 | 1,908 | 1,939 | 1,739 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 13,005 | 18,423 | 17,653 | 13,027 | 12,807 | 17,275 | 17,071 |

**Duck Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 980 | 1,269 | 1,790 | 1,506 | 2,976 | 3,034 | 2,233 |

**Duck Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 717 | 830 | 1,293 | 1,056 | 1,906 | 1,484 | 742 |

**Live Ducks Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 29 | 50 | 97 | 64 | 45 | 33 | 74 |

**Live Ducks Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 348 | 840 | 1,382 | 931 | 463 | 425 | 443 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,885 | 1,021 | 937 | 729 | 1,284 | 6,535 | 8,299 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,514 | 1,126 | 951 | 911 | 1,536 | 4,188 | 10,608 |

**Live Turkeys Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 137 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 1,479 |

## *7. Poultry Policy*

Despite the reality of imported frozen poultry in the wet markets across the country, the Chinese government maintains a policy, largely unenforced, to restrict poultry imports for retail sale. Imports are technically permitted only for hotels, restaurants and food processors.

Officials of China Animal & Quarantine Bureau (CAPQ) established a one year trial program in June 1997 to permit imports for retail sales from selected Canadian, U.S. and Australian meat exporters. According to officials, no meat was ever imported under the program throughout the one year experiment. The principal reason seems to be that it is more economical to use established grey channels. Imports were limited through two Chinese companies (both associated with CAPQ) and given the high tariff rates (poultry meat 20% plus 13% VAT) no imports under the program took place. This program officially ended on May 31, 1998 but imports to the two Chinese companies from the designated overseas suppliers are still permitted.

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 137 |

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As a result of changes approved at the National People's Congress in March 1998, CAPQ is being merged with the China Commodity Inspection Bureau and the Public Health Inspection Bureau into a new State Administration for Entry & Exit Quarantine and Inspection of China. The current Director General of CAPQ will be a Deputy Director General in the new organization, which administratively will be a unit of China Customs. As the reforms are still underway including the formal separation of a large number of CAPQ employees (from 1,500 people down to 300) from the government, their impact on poultry and meat policy and trade remains unclear.

## *8. Marketing*

Several large scale wholesale markets in East China, such as in Wuxi, Nanjing and Hangzhou that mainly distribute frozen poultry parts, have indicated that the market has been weak since last October. The main reason is oversupply and a less vigorous local economy. General market information is that most Chinese wholesalers say that the imported frozen poultry business is too difficult for them to continue. The more they sold the more they lost, because the margin between the domestic and imported poultry products are too low. Competition for poultry products is not only from Chinese domestic poultry parts but also from foreign countries exporting to China.

Chinese wholesalers are also complaining about the quality and packaging problems of imported products. It is important for exporters to understand their concerns and conform to their marketing needs. Due to the very high domestic quality and packaging practices, the standard size and fresh color of the products pose a threat to imported frozen chicken. Brazilian poultry products have a good reputation in the Chinese market because an additional plastic wrap is used around the outside of the carton. The extra plastic on the outside of the carton helps to prevent water damage to cartons which may have had ice melt on them or perhaps had undergone partial thawing on their long journey on the highways of East China. The Brazilians also have a good grading reputation and offer a uniform size package (small, medium and large) which Chinese customers can choose depending on their needs.

In some urban areas in China, many outdoor (wet) markets are being phased out and moved inside. While imported poultry parts were packed in 20 kilogram cartons, acceptable for the wet market, smaller retail packages with Chinese labels are needed for the newer, cleaner supermarkets.

The distribution channel for imported frozen chicken from foreign countries through Hong Kong is limited. The predominant mode is from exporter-dealer in Hong Kong to the importer in Guangdong to the wholesaler / distributor in other provinces. Many mainland importers and distributors only deal with Hong Kong and Guangdong dealers and not directly with the exporter. Therefore the supply to some areas is not stable and many local wholesalers find it difficult to gain satisfaction.

Chinese consumers can seldom differentiate between domestic and imported chicken products. It is important to build a favorable image of Canadian chicken at the restaurant and wholesaler levels to pave the way for increased imports into China. Due to the low awareness level, it is important to build a positive image at the trade level and then later to educate consumers that imported

Canadian chicken, being fed corn and soybeans, is a quality and wholesome product. Chinese consumers must also be reminded that Canadian product is required to undergo stringent health inspections before being released into the marketplace. In addition, if exporters want to expand their poultry shipments to China they must also consider developing new channels and new markets. Trade programs to arouse their awareness and interest in Canadian products would help.

China is a huge market with great potential for Canadian poultry products. Per capita consumption of poultry meat continues to rise each year. Consumers, particularly the young, are choosing to eat more chicken. The following aspects should be taken into consideration if Canadian exporters are interested in expanding into the Chinese market;
- focus attention on the Guangdong province where most chicken is imported, particularly Shenzhen, Shantou, Zhuhai and Huizhou,
- be price competitive to that of the domestic market,
- must provide consumer ready packaged cuts, properly wrapped and presented,
- country brand recognition with Chinese labeling should be negotiated,
- a consumer oriented promotion program should be established,
- Chinese consumers must be ensured that the product meet stringent health regulations and was inspected.

## *9. Prices*

Wholesale price items, not referring to any specific branded products but just on a general basis.

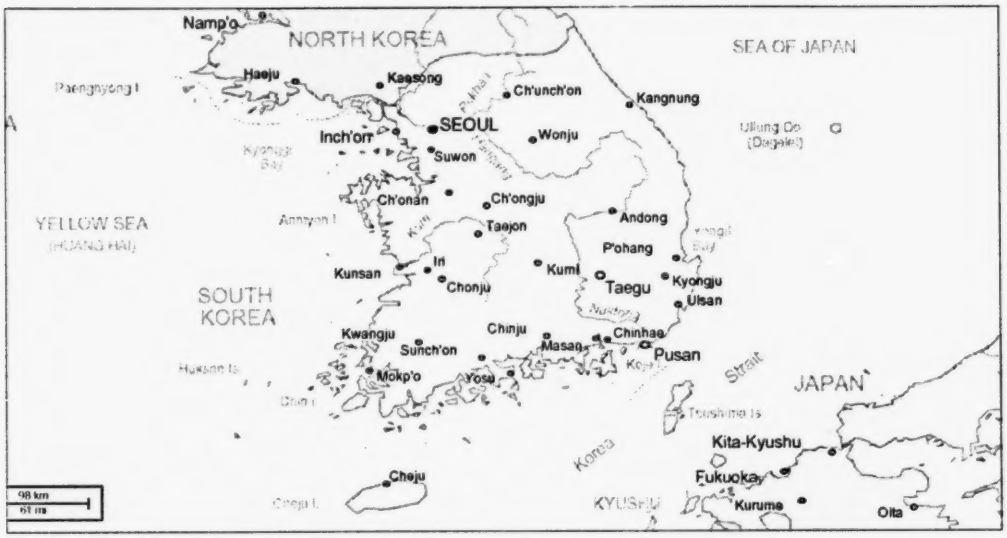
| | | |
|---|---|---|
| jumbo chicken paws | RMB 9,600 - 9,800 / MT | $1,749.00 - 1,786.00cdn. |
| medium chicken paws | RMB 8,000 / MT | $1,458.00cdn. |
| small chicken paws | RMB 6,500 / MT | $1,184.00cdn. |
| chicken wings | RMB 11,000 / MT | $2,004.00cdn. |
| chicken gizzards | RMB 7,500 - 8,000 / MT | $1,367.00 - 1,458.00cdn. |
| chicken drumsticks | RMB 9,500 - 10,000 / MT | $1,731.00 - 1,822.00cdn. |

Retail price items of the Dajjiang, (the most famed trade mark in China) frozen chicken products in supermarkets were:

| | | |
|---|---|---|
| drumstick | RMB 14.10 / kg | $2.57cdn./kg. |
| gizzards | RMB 20.00 - 24.00 / kg | $3.64 - 4.37cdn./kg. |
| portion drumstick | RMB 15.20 - 18.80 / kg | $2.77 - 3.43cdn./kg. |
| wings | RMB 16.30 / kg | $2.97cdn./kg. |
| wingtips | RMB 12.10 / kg | $2.20cdn./kg. |
| feet | RMB 10.20 / kg | $1.86cdn./kg. |

Note: exchange rate is 0.1822 Cdn.

# South Korea




## Basic Information

| | |
|---|---|
| Land area: | 98 190 sq. km |
| Population: | 45 482 291 (July 1996) |
| Total GDP: | US $483.3 Billion (1996) |
| Capital city: | Seoul |
| President: | KIM Dae Jung |
| Minister of Agriculture: | Kim Sung-hoon |
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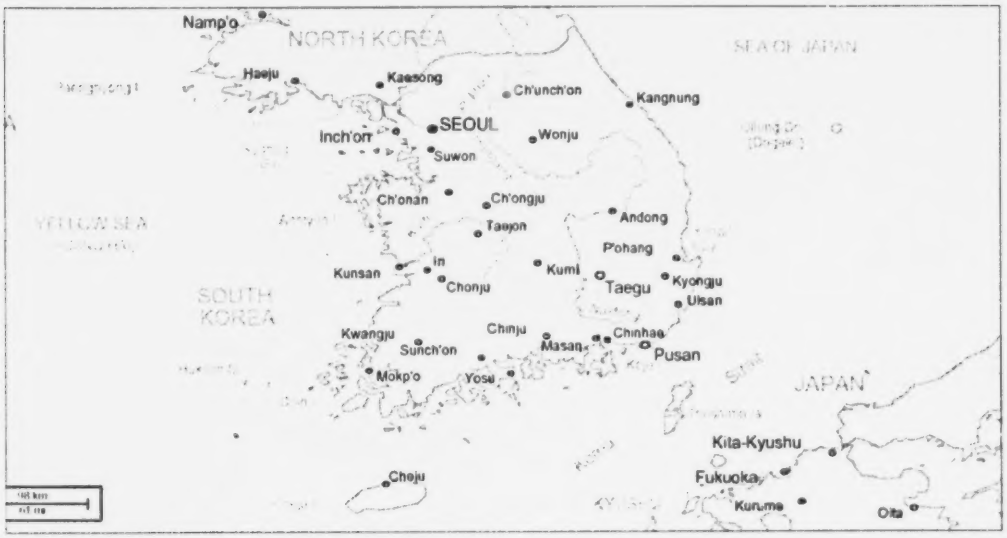
## Canada-South Korea Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **362.997** | **411.410** |
| **Total Agri-Food Imports:** | **16.469** | **21.614** |
| **Balance of Trade:** | **346.528** | **389.796** |

### Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **362.997** | **411.410** |
| Non-durum wheat | 173.566 | 165.226 |
| Pork cuts, frozen, nes | 18.250 | 42.612 |
| Canola | 2.477 | 36.673 |
| Raw mink furskins, whole | 42.321 | 19.525 |
| Bovine hides, whole | 22.085 | 17.045 |

# South Korea

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## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **16.469** | **21.614** |
| Pasta | 4.628 | 8.942 |
| Pasta, uncooked, dried | 2.859 | 1.914 |
| Mandarins (excl. tangerines) | 0.751 | 1.262 |
| Fruits, fresh, nes | 0.591 | 1.144 |
| Biscuits, crackers | 0.726 | 0.885 |

# South Korea Agri-Food Imports

**Total Agri-Food Imports (1996): US $10.7 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Corn | 1,234.257 | USA |
| Bovine and equine hides | 814.656 | USA |
| Cigarettes | 725.699 | Singapore |
| Beef | 514.442 | USA |
| Non-durum wheat | 443.353 | USA |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **2,697.625** | **2,676.287** |
| Bituminous coal | 378.899 | 380.718 |
| Non-durum wheat | 29.172 | 173.566 |
| Gold in unwrought form | 34.113 | 146.419 |
| Chemical woodpulp, coniferous | 234.023 | 135.178 |
| Chemical woodpulp, non-coniferous | 210.488 | 105.198 |

## *ABOUT THE SOUTH KOREAN POULTRY INDUSTRY.....*

### *1. Current Situation*

Korea's economic difficulty in 1998 is resulting in a sharp decline in production and consumption of poultry and poultry products. Producers across the spectrum are confronted by rising input costs, diminishing credit facilities and shrinking consumer demand as vegetarian diets become an economic necessity in many households. Poultry operations of every size are experiencing financial difficulty. The latest government forecast for the economy is not promising. The outlook now is for a multi-year recovery period.

Per capita consumption is down in 1998 as consumers have reacted to the economic turmoil by reducing discretionary expenditures on luxury activities, such as dining at restaurants. The vast majority of poultry meat is consumed in restaurants. Consumption of competitor meats has dropped dramatically during the first half of 1998. The outlook for poultry meat consumption during the remainder of 1998 and through 1999 is guarded. How consumers react to the economic restructuring currently underway will determine whether the nations's per capita consumption level increases or not. Though the Korean government has taken a more active role supporting consumption of beef, it does not plan to initiate a similar promotion effort for poultry.

The Ministry of Agriculture and Forestry's (MAF) efforts to spur development of the poultry industry's infrastructure were starting to bear results before the country's economic slowdown commenced last fall. Cooperative and private company brand labeled products were starting to become readily available on the market. Consumers were willing and able to sample new products. Further development in this area has not occurred since the public onset of the country's economic difficulties. Given the lucrative return generated by branded products, when the economic situation settles, this sector is expected to regenerate itself more quickly than other sectors.

Trade has been curtailed since the fall of 1997. Continued low consumer demand coupled with a general lack of affordable capital for importers should dampen trade for the remainder of 1998 and into 1999. Normally, a fall in domestic production of the magnitude experienced this year would generate a rapid expansion in trade to fill the void. However, weak consumer demand and high import prices due to the devalued currency effectively have neutralized thoughts to expand import trade today.

On December 20, 1997, the Korean government passed the Livestock Processing Control Act. The act, effective as of June 14, 1998, transferred inspection authority for meat, dairy and egg products from the Ministry of Health & Welfare (MHW) to MAF. The next two years are expected to bring a period of contraction in the poultry industry in reaction to the country's economic downturn. Once the economy has settled, over the next 3-5 years, the industry is expected to resume its modernization program resulting in an expansion in production and increased supply availability. Further, the industry is expected to adopt a more aggressive marketing strategy to capitalize on consumer awareness of the healthy properties of poultry.

Domestic production during this period is not expected to be sufficient to meet rising consumer demand, necessitating imports to fill the supply void.

## *2. Production*

In the early part of 1998, in the wake of suddenly rising costs for inputs such as feed, medicine, water and energy, producers moved live birds to market sooner than expected thus increasing the availability of poultry meat. The production trend which has been 3 to 4% annual growth in output established during recent years, is clearly broken.

Producers across Korea are confronted by rising input costs, diminishing credit facilities and shrinking consumer demand as vegetarian diets become an economic necessity in many households. Poultry operations of every size are experiencing financial difficulty, such that a growing number are now technically bankrupt. The latest government forecast for the economy is not promising. The outlook now is for a multi-year recovery period. MAF and the country's largest farmers' cooperative share this view for the poultry and products sector.

Too many producers of broilers and layers built state of the art facilities in recent years which carry high overhead costs. Domestic stocks remain sufficient to meet demand. Turkey production remains insignificant (7,600 birds in 1997) as there is no current market for large size birds. Competitor meats, both beef and pork, even with government support programs in place, are experiencing more significant declines in production and consumption than has poultry. Those sectors will take longer to recover as they are considered by consumers to be luxury meats.

The outlook for 1999 is somewhat more optimistic. The government forecasts positive growth next year. Production of poultry should show signs of recovery in advance of the two major competitor meats as flock sizes can easily be expanded. Producers' optimism for growth is not as enthusiastic. The country's economic restructuring program could lead to significantly higher unemployment over the next six months. If unemployment exceeds 2 million people, roughly 8% of the workforce, by year's end as several private forecasts now predict, the market would not justify expanding production until the end of 1999.

Historically the summer season brings the highest demand and highest price for poultry and products. 1998 was no different, except that the highest price received was below the break even point for the average producer. Reportedly some broiler integrators sacrificed employee salaries to meet fixed cost commitments as returns declined. Fears are the financial crisis is now eroding the industry's infrastructure. If too many companies fold due to cash flow problems, the infrastructure will become inadequate for supporting the industry when consumer demand rebounds.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 258,000 | 310,000 | 346,000 | 361,000 | 368,000 | 383,000 | 405,000 | 395,571 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,665 | 4,230 | 4,160 | 5,200 | 5,460 | 7,800 | 10,400 | 10,400 |

Source - FAO Data Base

## *3. Consumption*

Per capita consumption of poultry meat has decreased in 1998 as consumers have reacted to the economic turmoil by reducing discretionary expenditures on luxury activities, such as dining at restaurants. The vast majority of poultry meat is consumed in restaurants. Consumption of competitor meats has dropped dramatically during the first half of 1998. Consumption of some high quality beef and pork has actually increased during this same period due to drastically falling prices of those meats. In terms of total meat consumed and impact on poultry consumption, this represents a very small part of the market. The overall shift in meat consumption patterns is away from meats all together and not towards the red meats. The outlook for 1999 is for a slight recovery in poultry consumption in line with a recovery in the economy.

Poultry prices at retail and restaurants have maintained a constant level, despite the economic downturn and producer price declines. Some restaurants have actually raised prices for poultry dishes to cover rising operating costs. The Korean government has taken a more active role supporting consumption of beef, it does not plan to initiate a similar promotion program for poultry. Poultry meat does have a distinct advantage over its red meat competitors, as it is viewed as a healthier meat. Because of its image, demand for it should recover sooner when the economy strengthens.

The South Korean consumer market is characterized by seven main trends:

1. three and a half decades of rapidly rising household incomes
2. rapid urbanization
3. very rapid generational shifts
4. strong nationalism supported by the Korean script and language
5. excessive government interference
6. lasting anti-Japanese feeling (dating from colonial days 1910-45) and latent anti- American
7. desire for group activities and displays of conspicuous consumption

Main Consumer Trends include:

1. an increased number of dual income households
2. increasing retired population
3. increased tourism
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**Per Capita Consumption of Meat Products** (units are in grams, boneless basis)

| Year | Total Meat | Beef | Pork | Chicken | Egg |
|---|---|---|---|---|---|
| 1995 | 27,447 | 6,720 | 14,750 | 5,977 | 10,130 |
| 1996 | 28,800 | 7,136 | 15,402 | 6,262 | 10,384 |
| 1997 | 29,297 | 7,930 | 15,300 | 6,067 | 10,375 |

## *4. Trade*

The rising popularity of fast foods among younger Koreans drives imports. Imports strictly service this market while domestic product serves the retail sector. The economic crisis has slowed imports marginally. It wasn't until the financial crisis hit the banking sector in early December 1997 that trade suffered significantly. Many banks only issued lines of credit for well established clients and ceased issuing these credits in the last two weeks of the month in order to build foreign exchange reserves.

The economic and financial problems gripping Korea since the fall of 1997 have had the biggest impact on trade. Continued low consumer demand coupled with a general lack of affordable capital for imports should dampen trade for the remainder of 1998 and into 1999. Normally a fall in domestic production of the magnitude experienced this year would generate a rapid expansion in trade to fill the void. Weak consumer demand and high import prices vis a vis the devalued currency have effectively neutralized thoughts to expand imports at this time.

The Hong Kong Avian Influenza outbreak led to China's banishment from Korea's live and processed poultry markets in December 1997. Despite this ban, China still ended 1997 as the top foreign supplier of poultry in the Korean market. To date, Korean quarantine authorities have not lifted China's import ban. In 1998 the U.S. continues to hold the largest share in these Chineseless, economically depressed poultry markets. Thailand has effectively filled the China void in the customized product market. In the current economic state, price determines the ultimate competitiveness of products.

1998 did not bring the expected loosening within the financial sector even though upwards of $10 billion in foreign assistance under the IMF program arrived. Top government officials believe that Korea's economic recession will be longer and more severe than earlier predicted. The Korean Institute of Finance, which had forecast negative 3.1% growth for the latter half of 1998, revised its forecast downward to less than 6.4%. GOK officials are forecasting that the economy will bottom out by the end of 1998, with no recovery possible before the last half of 1999. Business leaders are less optimistic. They see little chance of turnaround in 1999. Economic research institutes expect Korea's economic indicators to worsen in the last half of 1998, but they predict that agricultural commodity prices in general will stabilize throughout the year, in spite of supply/demand fluctuations in agriculture product inputs and outputs due to heavy rains this past

August. On a slightly brighter note, Korea's inflation rate for consumer prices is expected to remain below the 9% IMF forecast.

Until the current market uncertainty settles down normal trade volume is not likely to be achieved. The general consensus is the economy will settle down. Demand for fast foods should pick up rapidly from that point forward.

Note: the applied tariff rate in 1998 for imported poultry is 29%, CIF value.

**Chicken Imports Market Share, CY 1996 & 1997 (value in U.S.)**

| | 1996 | | | 1997 | | |
|---|---|---|---|---|---|---|
| Country | Vol (M/T) | | Value C&F $1,000 | Vol (M/T) | | Value C&F $1,000 |
| U.S. | 7,653 | 77% | 11,990 | 5,517 | 42% | n/a |
| China | 1,819 | 18% | 4,023 | 6,753 | 51% | n/a |
| Thailand | 373 | 4% | 956 | 869 | 7% | n/a |
| Canada | 40 | 1% | 57 | 0 | 0 | n/a |
| Australia | 3 | 0 | 7 | 0 | 0 | n/a |
| France | 0 | 0 | | 20 | 0 | n/a |

**Turkey Meat Imports, CY 1996 and 1997 (January to October)**

| | 1996 | | | 1997 | | |
|---|---|---|---|---|---|---|
| Country | Vol. (M/T) | Value ($1,000) | Unit Price (U.S.) | Vol. (M/T) | Value ($1,000) | Unit Price (U.S.) |
| U.S. | 15,325 | 24,351 | 1.59 | 11,312 | 18,252 | 1.61 |
| France | 4,210 | 4,357 | 1.03 | 2,754 | 2.927 | 1.06 |
| Canada | 205 | 257 | 1.25 | 81 | 77 | .95 |
| U.K. | 117 | 106 | .91 | 60 | 57 | .95 |
| China | 102 | 142 | 1.39 | 0 | 0 | 0 |
| Total | 19,959 | 29,213 | 1.46 | 14,207 | 21,313 | 1.5 |

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## *5. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 124 | 122 | 77 | 107 | 118 | 236 | 40 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 207 | 277 | 89 | 159 | 146 | 368 | 91 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 130 | 1 | 60 | 0 | 97 | 49 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 178 | 3 | 113 | 0 | 185 | 86 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 23 | 0 | 0 | 0 | 0 | 0 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 53 | 0 | 0 | 0 | 0 | 0 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 33 | 29 | 119 | 30 | 9 | 68 | 161 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 69 | 41 | 179 | 82 | 76 | 170 | 300 |

**Live Ducks Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 1 | 7 | 23 | 11 | 24 | 16 |

**Live Ducks Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 14 | 67 | 34 | 82 | 55 |

Source - FAO Data Base

**Specifically**

Canada exported 412,305 kgs of chicken products to Korea in 1995, 472,339 kgs. in 1996 and 445,815 kgs. in 1997. The type of products exported were; turkey portions raw bone-in, turkey portions raw boneless, cooked & prepared other poultry products, mechanically deboned turkey, chicken portions raw bone-in and whole eviscerated raw turkey. Korea was the 15th (1995), 12th (1996) and 13th (1997) largest export market for Canada in terms of quantity of product exported (source - Canadian Food Inspection Agency)

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/korea.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 69 | 41 | 179 | 82 | 76 | 170 | 300 |

**Live Ducks Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 1 | 7 | 23 | 11 | 24 | 16 |

**Live Ducks Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 14 | 67 | 34 | 82 | 55 |

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## *6. Imports*

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 24 | 29 | 0 | 0 | 0 | 5,719 | 9,897 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 57 | 56 | 1 | 0 | 0 | 8,034 | 17,036 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 776 | 581 | 1,020 | 357 | 456 | 722 | 936 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 4,255 | 3,471 | 5,707 | 3,113 | 4,184 | 5,545 | 6,387 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,331 | 11,147 | 15,409 | 16,933 | 21,141 | 25,157 | 20,111 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 8,821 | 19,827 | 27,233 | 25,771 | 33,286 | 34,535 | 29,272 |

**Ducks Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 287 | 1,229 | 3,620 | 2,897 | 3,322 | 4,807 | 8,031 |

**Live Ducks Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 8 | 36 | 12 | 11 | 5 | 9 | 55 |

**Live Ducks Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 121 | 172 | 113 | 89 | 51 | 67 | 381 |

Source - FAO Data Base

**Import Liberalization**

Korea is famous for its "Confucian" regulatory environment. Koreans expect officials to interfere in a wide range of areas not normally closely regulated in the west. This regulatory situation is compounded by the protection of the vested interest of existing producers and the existence of double standards for local and international producers.

Despite reduced import barriers the Korean market is still difficult to access for foreign companies due to a huge language barrier, obstructive bureaucrats, non transparent regulations and the dominance of the Korean business environment by large conglomerates, called the chaebol which complicate market access procedures.

## *7. Regulations and Procedures*

Poultry classified under HS 0207.12/.24 may only be imported on the recommendation of the Central Committee of Livestock Industry Co-op. Tariff rates for poultry imports under the previously mentioned code have been phased out (July 1/97) in accordance with the General Agreement on Tariffs and Trade (GATT). Tariffs must be paid in Korean won before goods can clear customs. A value added tax of 10% is levied on the CIF value of the import plus the amount of customs duty paid.

All poultry imports must pass Korean National Quarantine under the Livestock Epidemic Law. The following documents must be submitted to the Quarantine Office for Quarantine Inspection; application form, export license, invoice and packing list, self specification certificate, product information.

A label of Korean Indications should be attached to each of the products in accordance with Article 10 of Korea Food Sanitary Law and Article 5 of its Enforcement Regulation. Korean indications required are; product name, type of product, manufacturer, importer, business registration number, manufacturing date, weight or measurement, shelf life, ingredients, storage

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conditions, instructions for usage. Labelling should be completed before Quarantine Inspection at arrival port, however labelling can be put on in the bonded warehouse. Around 80% of packaged food items and some 10% of non food items have adopted the bar coding system.

## *8. Marketing*

To develop the poultry industry's infrastructure, the MAF has been encouraging producer cooperatives and integrated companies to develop brand name products and to diversify into processed poultry products. MAF's efforts were starting to bear results before the country's economic slowdown commenced last fall. Cooperative and private company brands labeled products for whole birds to further processed products were becoming readily available on the market. Consumers were willing and able to sample new products. Producer cooperatives were establishing retail outlets for marketing of their membership's products. Larger integrated companies controlled production and distribution from farm to retail. Also, because of the higher quality of their products, those companies were capturing a larger share of the high return branded market. Further development in this area has not occurred since the public onset of the country's economic difficulties. Given the lucrative return generated by these products when the economic situation settles, this sector is expected to regenerate itself more quickly than other sectors.

Market access for imported poultry and poultry products is not a problem. However, access to capital resources is. Firms across the spectrum still are having difficultry accessing affordable capital. The problem stems from new capital reserve requirements imposed by Korea's Financial Supervisory Committee, a regulatory body created in response to the country's financial crisis.

Creative financial arrangements between importer and exporter will be necessary to facilitate large volume trade over the near term.

Koreans prefer smaller broilers and poultry cuts. The majority of imported products tended to be on the larger size and often had to be re-cut at an additional expense to the importer in order to meet the end user's requirements. In 1997 China customized more of its product to meet Korean preferences. As a result, between January and October, it captured 9% more market share than others even though its products' average price was a third greater.

Because of its cheaper labor, Thailand has the capability to provide the same customization of product as China did. However, Thailand is now also encountering economic turmoil. It remains to be seen if Thailand can increase output significantly in the short term to be a viable contender to fill the void created with the Chinese's departure.

# Poland

## Basic Information

| | |
|---|---|
| Land area: | 304 510 sq km |
| Population: | 38 642 565 (1996) |
| Total GDP: | US $ 129.9 Billion (1996) |
| Capital city: | Warsaw |
| President: | Aleksander Kwasniewski |
| Minister of Agriculture: | Jacek Janiszewski |
| Canadian Ambassador: | Serge April |

## Canada-Poland Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **58.521** | **34.279** |
| **Total Agri-Food Imports:** | **13.933** | **14.028** |
| **Balance of Trade:** | **44.588** | **20.251** |

### Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | 58.521 | 34.279 |
| Durum wheat | 7.436 | 9.552 |
| Hams, cuts of pork, bone in, frozen | 8.717 | 5.890 |
| Tobacco, unmanufactured | 5.565 | 4.870 |
| Pork cuts, frozen | 4.110 | 1.795 |
| Food preparations | 0.064 | 1.455 |

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| Pork cuts, frozen | 4.110 | 1.795 |
| Food preparations | 0.064 | 1.455 |

## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **13.933** | **14.028** |
| Sugar confectionery, without cocoa | 2.623 | 2.870 |
| Chocolate | 1.724 | 1.188 |
| Sweet biscuits, waffles and wafers | 0.727 | 1.147 |
| Vodka | 0.904 | 1.043 |
| Beer | 0.795 | 0.876 |

# Poland Agri-Food Imports

**Total Agri-Food Imports: US $3.1 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Coffee | 280.401 | Vietnam |
| Food preparations | 221.693 | France |
| Oil-cake & other residues (exl. dregs) | 179.464 | Netherlands |
| Chocolate | 157.742 | Côte d'Ivoire |
| Fruit, fresh or dried | 111.989 | Ecuador |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **115.943** | **154.495** |
| Non-durum wheat | 0.000 | 12.826 |
| Filtering or purifying machinery for gases | 5.805 | 11.505 |
| Canola seed | 0.094 | 8.377 |
| Hams, shoulders & cuts, bone in, frozen | 0.000 | 8.717 |
| Durum wheat | 13.678 | 7.435 |

## *ABOUT THE POLISH POULTRY INDUSTRY.....*

### *1. Current Situation*

The recent devaluation of the ruble is expected to severely affect exports of poultry meat and mechanically deboned meat (MDM) exported to Poland for transhipment or processing and re-export as processed products. According to Polish traders, the interruption in the transhipment and processing trade for Russia and the FSU could last anywhere from 6 months to one year. Polish traders have indicated that Russian importers may be sitting on at least 2 months' supplies of meat and poultry stocks.

Meat which enters Poland for transhipment or processing and re-export as a processed product is not identified in Polish statistics as official imports and is not included under the annual poultry import quota since the product is not destined for the Polish market. Also, Polish traders have said that poultry meat imports for the FSU have virtually ceased since August 1998. Lower quality sausage products processed in eastern Poland and made with imported MDM are especially dependent on exports to Russia and other FSU countries which account for close to 90% of their production.

The production of chicken broilers is expected to increase 10% this year and an additional 4% in 1999. Growing production and higher imports force producers and processors to reduce their margins and increase efficiency in order to gain profits and keep chicken prices at a level acceptable for consumers. Consumption of chicken and turkey continues to increase as Poles become more health conscious and substitute poultry for other meats such as beef or pork. Output of poultry meat in Poland in 1997 reached the level of late 70's when production was highly subsidized. A larger import quota plus out of quota imports resulted in a 39% increase in total imports of poultry meat and offal in 1997. It is not expected to reach this high in 1998..

### *2. Production Outlook*

Over 70% of Poland's poultry is produced on large intensive units. The other 30% of production comes from range-fed household flocks. In Poland, broilers and turkeys are raised mainly in intensive operations from chicks/poults obtained from commercial hatcheries and most of the feed is provided by commercial mills. Geese and ducks are produced using green forage feed which meets preferences of E.U. consumers.

There are 250-300 small local slaughter plants. About 20 modern plants were built after 1988, which compete successfully with older, formerly state owned plants. The third group of formerly state owned companies is composed of 25 large plants, out of which two are now on the stock exchange market, 18 are limited liability companies and 5 are owned by National Investment Funds.

Official Polish statistics indicate that production of poultry meat in Poland will probably increase by almost 15% this year. Polish producers are becoming much more efficient and consumers are

increasing demand for poultry meat primarily at the expense of beef. Exports of goose meat to Germany, a long and stable export market, has dried up recently. This is primarily due to the growth of German geese production. Exports of Polish geese hatching eggs to Germany have increased in recent years.

**Chicken Production**

The production of chicken broilers is expected to increase 10% this year and an additional 4% in 1999. Growing production and higher imports force producers and processors to reduce their margins and increase efficiency in order to gain profits and keep chicken prices at a level acceptable for consumers. Chicken broilers account for over 70% of the total industrial production of poultry meat. The annual demand for broiler day-old chicks is estimated at 250 million. Currently, production of a bird weighing two kilograms takes on average 42 days and feed conversion is 1.9. The mortality rate is below 5%.

Privatization of large poultry processing plants and introduction of high quality genetics improved efficiency of poultry production. Many of the largest poultry slaughterhouses also have facilities for further processing of poultry meat to sausages and smoked products. Many plants do not have enough capital for such investments and are consequently looking for partners.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 284,000 | 296,200 | 278,800 | 259,800 | 329,700 | 326,600 | 361,200 | 389,700 |

Source - FAO Data Base

**Turkey Production**

In 1997, production of turkeys increased by an estimated 21% in response to favorable prices and strong demand from the processors. Production is expected to continue to grow in 1998 and 1999. In 1997, turkey meat represented 16% of the total poultry meat output in Poland, compared to 14% in 1996. Most turkey meat is processed and sold as poultry sausages or other turkey products which compete with pork sausages. Forecasts call for fast growth of turkey meat processing which will stimulate an increase in turkey meat output.

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 22,000 | 22,000 | 20,000 | 21,000 | 25,000 | 35,000 | 30,000 | 17,500 |

Source - FAO Data Base

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 13,000 | 15,000 | 7,400 |

## *3. Consumption Outlook*

Consumption in 1997 grew 15% compared to 1996. Overall consumption in 1998 is expected to increase an additional 11%. The average per capita consumption of poultry meat in 1997 amounted to an estimated 11.5 kilograms. Poultry consumption continues to benefit from larger overall meat consumption and some substitution among consumers for poultry for pork and beef. A growing number of fast food restaurants, like McDonald's or KFC also stimulated higher demand for poultry meat. Other factors stimulating poultry consumption include relatively lower prices of poultry meat compared with red meats and limited supplies of red meat in 1997. The Institute of Rural Economics estimates that in the 2010, annual per capita consumption of poultry meat will reach 18 kilograms.

About 35% of all poultry meat consumed in Poland is utilized for further processing. In 1997, total output of canned poultry meat and poultry sausages amounted to 140,000 tons and was 12% higher than in 1996. It is forecast that in 1998 production of processed products will increase another 12%. Almost 50% of the Polish market is dominated by the 6 largest companies producing, processing and marketing poultry meat.

As a result of higher supplies of poultry meat in 1997, prices of poultry meat were 3% lower in December 1997 than December 1996. In the same period, inflation was 13.3%, prices of food increased by 10.2% and prices of red meat increased by 8.3%. The decrease of poultry meat prices in 1997 was accompanied by 15 and 3% increases in pork and beef prices respectively.

**Chicken Consumption**

Broiler consumption in 1998 is expected to increase 10% based on continued substitution for beef and expanding presence of chicken in fast food restaurants. In 1999, consumption is expected to be up an additional 4%. Chicken meat consumption in 1999 will be limited by expected better availability of pork.

**Turkey Consumption**

The relatively low consumption of fresh or frozen turkey stems from the fact that it is not a traditional meat in Poland and is expensive compared with other poultry meats. However, consumption has begun to increase as prices of fresh and frozen turkey become more competitive and as Poles increasingly perceive turkey as having high dietetic value. Most turkeys are procured by processing plants for production of poultry sausages.

increasing demand for poultry meat primarily at the expense of beef. Exports of goose meat to Germany, a long and stable export market, has dried up recently. This is primarily due to the growth of German geese production. Exports of Polish geese hatching eggs to Germany have increased in recent years.

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**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 22,000 | 22,000 | 20,000 | 21,000 | 25,000 | 35,000 | 30,000 | 17,500 |

Source - FAO Data Base

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 13,000 | 15,000 | 7,400 |

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## *4. Trade Outlook*

Imports of poultry meat and offal increased 39% to 60,605 tons in 1997 over 1996. Exports in 1997 (25,052 tons) were up 19% from 1996. The United States was the major supplier of poultry meat and offal to Poland last year followed by the Netherlands. Poland mainly imported frozen chicken parts. Poland's 1995 poultry meat exports consisted mainly of geese and ducks.

Imports of poultry to Poland for re-export to Russia and Ukraine is growing. According to one of the major importers, out of 10 containers imported to Poland, only 1 or 2 stay in Poland and the rest are re-exported. Most containers are stored in bonded warehouses and are sold in Poland or re-exported depending on contracts.

**Poultry Meat**

**Imports from:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| United States | 24,260 | 37,056 |
| The Netherlands | 7,294 | 7,953 |
| Belgium | 3,646 | 5,294 |
| Hungary | 3,342 | 2,477 |
| Canada | 2,343 | 1,537 |
| Great Britain | 1,492 | 3,643 |
| France | 1,141 | 1,121 |
| Italy | 258 | 108 |
| Denmark | 89 | 380 |
| Czech Republic | 42 | 0 |
| Ukraine | 23 | 0 |
| Spain | 0 | 42 |
| others | 202 | 185 |
| Total | 44,132 | 60,605 |

**Exports to:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| Germany | 16,711 | 17,822 |
| France | 1,905 | 2,657 |
| Great Britain | 546 | 0 |
| Hong Kong | 477 | 271 |
| Switzerland | 395 | 0 |
| The Netherlands | 351 | 448 |
| Austria | 223 | 153 |
| Russia | 143 | 1,171 |
| Thailand | 116 | 0 |
| Canada | 73 | 0 |
| Bulgaria | 0 | 412 |
| China | 0 | 404 |
| Belarus | 0 | 330 |
| Ukraine | 0 | 510 |
| Others | 283 | 874 |
| Total | 21,223 | 25,052 |

## Chicken Trade Outlook

Chicken meat imports in 1997 were up 58% in comparison to 1996. The United States is the major supplier and accounts for 66% of Polish imports. The Netherlands and Belgium were the other major competitors. Chicken imports are expected to grow 6% in 1998 and an additional 6% next year in response to continuing demand and an upward adjustment in the import quota based on higher domestic output.

## Chicken Meat

**Imports from:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| United States | 18,017 | 32,053 |
| The Netherlands | 6,652 | 7,577 |
| Belgium | 3,600 | 4,578 |
| Hungary | 977 | 293 |
| Great Britain | 536 | 2,425 |
| France | 189 | 43 |
| Italy | 93 | 0 |
| Germany | 70 | 566 |
| Finland | 49 | 0 |
| China | 24 | 48 |
| Thailand | 21 | 69 |
| Denmark | 0 | 272 |
| Canada | 0 | 647 |
| others not listed | 653 | 110 |
| Total | 30,881 | 48,681 |

**Exports to:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| Germany | 2,017 | 2,747 |
| France | 761 | 1,498 |
| Great Britain | 527 | 0 |
| The Netherlands | 320 | 427 |
| Austria | 152 | 153 |
| Russia | 44 | 208 |
| Sweden | 12 | 0 |
| Bahama Islands | 7 | 0 |
| Lithuania | 4 | 0 |
| Latvia | 4 | 0 |
| Ukraine | 0 | 411 |
| Belarus | 0 | 78 |
| Hungary | 0 | 59 |
| China | 0 | 21 |
| others not listed | 125 | 278 |
| Total | 3,973 | 5,960 |

## *4. Trade Outlook*

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| Italy | 258 | 108 |
| Denmark | 89 | 380 |
| Czech Republic | 42 | 0 |
| Ukraine | 23 | 0 |
| Spain | 0 | 42 |
| others | 202 | 185 |
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| Total | 21,223 | 25,052 |

## Chicken Trade Outlook

Chicken meat imports in 1997 were up 58% in comparison to 1996. The United States is the major supplier and accounts for 66% of Polish imports. The Netherlands and Belgium were the other major competitors. Chicken imports are expected to grow 6% in 1998 and an additional 6% next year in response to continuing demand and an upward adjustment in the import quota based on higher domestic output.

## Chicken Meat

**Imports from:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| United States | 18,017 | 32,053 |
| The Netherlands | 6,652 | 7,577 |
| Belgium | 3,600 | 4,578 |
| Hungary | 977 | 293 |
| Great Britain | 536 | 2,425 |
| France | 189 | 43 |
| Italy | 93 | 0 |
| Germany | 70 | 566 |
| Finland | 49 | 0 |
| China | 24 | 48 |
| Thailand | 21 | 69 |
| Denmark | 0 | 272 |
| Canada | 0 | 647 |
| others not listed | 653 | 110 |
| Total | 30,881 | 48,681 |

**Exports to:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| Germany | 2,017 | 2,747 |
| France | 761 | 1,498 |
| Great Britain | 527 | 0 |
| The Netherlands | 320 | 427 |
| Austria | 152 | 153 |
| Russia | 44 | 208 |
| Sweden | 12 | 0 |
| Bahama Islands | 7 | 0 |
| Lithuania | 4 | 0 |
| Latvia | 4 | 0 |
| Ukraine | 0 | 411 |
| Belarus | 0 | 78 |
| Hungary | 0 | 59 |
| China | 0 | 21 |
| others not listed | 125 | 278 |
| Total | 3,973 | 5,960 |

## Turkey Trade Outlook

### Turkey Meat

**Imports from:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| United States | 6,213 | 4,885 |
| Hungary | 2,261 | 1,814 |
| Canada | 1,809 | 891 |
| Great Britain | 956 | 1,218 |
| France | 890 | 986 |
| The Netherlands | 642 | 354 |
| Italy | 165 | 85 |
| Denmark | 75 | 108 |
| Belgium | 43 | 716 |
| Turkey | 20 | 0 |
| Greece | 0 | 20 |
| Germany | 0 | 243 |
| others not listed | 81 | 30 |
| Total | 13,155 | 11,350 |

**Exports to:** (units in tons)

| | 1996 | 1997 |
|---|---|---|
| Germany | 1,121 | 770 |
| Russia | 78 | 935 |
| Austria | 20 | 0 |
| Czech Republic | 19 | 0 |
| Great Britain | 18 | 0 |
| The Netherlands | 13 | 21 |
| Hong Kong | 2 | 0 |
| Belarus | 0 | 243 |
| Bulgaria | 0 | 411 |
| Denmark | 0 | 5 |
| France | 0 | 46 |
| Ukraine | 0 | 81 |
| Italy | 0 | 21 |
| Estonia | 0 | 150 |
| Others not listed | 11 | 63 |
| Total | 1,282 | 2,746 |

### Specifically

Poland has been Canada's 11th (1995), 8th (1996) and 9th (1997) most important export market in terms of quantity of product exported. Canada exported 799,967 kgs. in 1995, 2,346,136 kgs in 1996 and 1,231,384 kgs. in 1997. The type of products exported include; turkey portions raw boneless, poultry giblets, turkey portions raw bone-in, other poultry portions raw, chicken portions raw bone-in, poultry burgers, nuggets, strips, cooked turkey bone-in, fowl portions raw, whole eviscerated raw turkey and mechanically deboned chicken.

**Turkey Trade Outlook**

**Turkey Meat**

| **Imports from:** (units in tons) | | | **Exports to:** (units in tons) | | |
|---|---|---|---|---|---|
| | **1996** | **1997** | | **1996** | **1997** |
| United States | 6,213 | 4,885 | Germany | 1,121 | 770 |
| Hungary | 2,261 | 1,814 | Russia | 78 | 935 |
| Canada | 1,809 | 891 | Austria | 20 | 0 |
| Great Britain | 956 | 1,218 | Czech Republic | 19 | 0 |
| France | 890 | 986 | Great Britain | 18 | 0 |
| The Netherlands | 642 | 354 | The Netherlands | 13 | 21 |
| Italy | 165 | 85 | Hong Kong | 2 | 0 |
| Denmark | 75 | 108 | Belarus | 0 | 243 |
| Belgium | 43 | 716 | Bulgaria | 0 | 411 |
| Turkey | 20 | 0 | Denmark | 0 | 5 |
| Greece | 0 | 20 | France | 0 | 46 |
| Germany | 0 | 243 | Ukraine | 0 | 81 |
| others not listed | 81 | 30 | Italy | 0 | 21 |
| Total | 13,155 | 11,350 | Estonia | 0 | 150 |
| | | | Others not listed | 11 | 63 |
| | | | Total | 1,282 | 2,746 |

**Specifically**

Poland has been Canada's 11th (1995), 8th (1996) and 9th (1997) most important export market in terms of quantity of product exported. Canada exported 799,967 kgs. in 1995, 2,346,136 kgs in 1996 and 1,231,384 kgs. in 1997. The type of products exported include; turkey portions raw boneless, poultry giblets, turkey portions raw bone-in, other poultry portions raw, chicken portions raw bone-in, poultry burgers, nuggets, strips, cooked turkey bone-in, fowl portions raw, whole eviscerated raw turkey and mechanically deboned chicken.

## 5. *Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 20,548 | 15,985 | 20,857 | 14,681 | 13,428 | 2,286 | 3,852 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 60,560 | 54,637 | 63,111 | 51,517 | 53,276 | 5,604 | 15,092 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 494 | 2,151 | 0 | 38 | 848 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 153 | 479 | 0 | 19 | 431 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 405 | 488 | 1,238 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 1,139 | 2,057 | 4,446 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 2,686 | 8,199 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 7,436 | 24,861 |

Source - FAO Data Base

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/poland.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *6. Imports*

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 739 | 1,551 | 54,367 | 72,595 | 43,414 | 24,471 | 30,692 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 800 | 1,421 | 42,861 | 60,431 | 43,529 | 27,143 | 33,232 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,000 | 7,900 | 12,198 | 8,991 | 26,800 | 18,600 | 12,193 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,000 | 6,107 | 11,527 | 9,668 | 20,025 | 14,535 | 15,838 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 7,436 | 24,861 |

Source - FAO Data Base

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**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
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**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 800 | 1,421 | 42,861 | 60,431 | 43,529 | 27,143 | 33,232 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,000 | 7,900 | 12,198 | 8,991 | 26,800 | 18,600 | 12,193 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,000 | 6,107 | 11,527 | 9,668 | 20,025 | 14,535 | 15,838 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 14,900 | 6,722 | 12,989 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 15,875 | 8,238 | 17,513 |

**Live Turkeys Imported (1000's)**

| 1990 | 1990 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 2,100 | 3,072 | 3,194 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 6,327 | 9,985 | 13,798 |

**Live Ducks Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 10 |

**Live Ducks Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 53 |

Source - FAO Data Base

## *7. Policy Outlook*

Poland is a member of the WTO and as such, has bound all its agricultural tariffs, including those for poultry and poultry products. The following shows the base rate of duty (maximum the applied rates can be in 1995, ie. year 1 of their Uruguay Round commitments), and bound rate of duty (maximum level the applied rates will be in year 2000, ie. year 6 of their UR commitments). Bound rates shall be decreased in equal annual steps:

HS 0105:
200% maximum of 237 ECU/1000 pieces, with a TRQ of 1000 pieces at 50%; to be reduced in equal annual steps to128% maximum of 152 ECU/1000 pieces, with a constant TRQ of 1000 pieces at 50%.

HS 0207
120% maximum of 2005 ECU/T, with a TRQ of 20,000 tonnes at 30% but no less than 0.3 ECU/kg; to be reduced in equal annual steps to 76% maximum of 1283 ECU/tonnes, with a TRQ of 20,000 tonnes at 30% but no less than 0.3 ECU/kg

HS 1602
160% maximum of 4750 ECU/tonnes; to be reduced in equal annual steps to 102% maximum of 3040 ECU/tonnes.

It is of note that should applied rates be lower than annual bound in quota rates, then the Tariff Rate Quota (TRQ) would not be opened. Allocations to importers are made by the Ministry of Foreign Economic Relations. Import licences are issued by the Department of Trade Regulations, Agriculture Section, and they are allocated on the basis of first come-first served.

All poultry meat importers must obtain a permit from the Polish Veterinary Service. The Veterinary Service requires that imports must carry a bilingual (Polish and English) health certificate. Each box containing poultry must be labeled in Polish and should include the date of production expressed in numbers (not as a bar code), the name of the producer and the product's name.

## *8. Marketing*

Animex, PEK-POL, Haris, Lacpol, TLB, Agraimpex andAgrowars are the major importers of poultry meat. Apart from sales to importing firms, there is also an opportunity for direct cooperation with processors seeking capital, who might be interested in joint ventures or imports for re-export of processed products to Russia or Ukraine. Growth of the poultry industry will also increase the market for imported feed ingredients, high quality grains and protein feeds.

**Chicken Marketing Outlook**

Over 70% of the domestic broiler production is processed by 30 large slaughterhouses. The remainder is processed in small, private slaughterhouses (sometimes on farms) and sold directly into the market. Most of the large slaughterhouses have their own distribution and retail systems. Leading production companies developed their own processing of poultry meat. The network of wholesalers is still developing.

**Chicken Meat** (1000 metric tons)

| | 1997 | preliminary 1998 | forecast 1999 |
|---|---|---|---|
| beginning stocks | 5 | 10 | 12 |
| production | 245 | 270 | 280 |
| whole, imports | 0 | 0 | 0 |
| parts, imports | 49 | 52 | 55 |
| total imports | 49 | 52 | 55 |
| total supply | 299 | 332 | 347 |
| whole, exports | 0 | 0 | 0 |
| parts, exports | 6 | 8 | 10 |
| total exports | 6 | 8 | 10 |
| human consumption | 283 | 312 | 323 |
| total domestic consumption | 283 | 312 | 323 |
| total use | 289 | 320 | 333 |
| ending stocks | 10 | 12 | 14 |
| total distribution | 299 | 332 | 347 |

**Chicken Marketing Outlook**

Over 70% of the domestic broiler production is processed by 30 large slaughterhouses. The remainder is processed in small, private slaughterhouses (sometimes on farms) and sold directly into the market. Most of the large slaughterhouses have their own distribution and retail systems. Leading production companies developed their own processing of poultry meat. The network of wholesalers is still developing.

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|---|---|---|---|
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| production | 245 | 270 | 280 |
| whole, imports | 0 | 0 | 0 |
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| total exports | 6 | 8 | 10 |
| human consumption | 283 | 312 | 323 |
| total domestic consumption | 283 | 312 | 323 |
| total use | 289 | 320 | 333 |
| ending stocks | 10 | 12 | 14 |
| total distribution | 299 | 332 | 347 |

**Turkey Marketing Outlook**

**Turkey Meat** (1000 metric tons)

| | 1997 | preliminary 1998 | forecast 1999 |
|---|---|---|---|
| beginning stocks | 5 | 5 | 5 |
| production | 70 | 80 | 90 |
| whole, imports | 0 | 0 | 0 |
| parts, imports | 11 | 12 | 13 |
| total imports | 11 | 12 | 13 |
| total supply | 86 | 97 | 103 |
| whole, exports | 0 | 0 | 0 |
| parts exports | 3 | 4 | 5 |
| total exports | 3 | 4 | 5 |
| human consumption | 78 | 88 | 96 |
| total dom. consumption | 78 | 88 | 96 |
| total use | 81 | 92 | 101 |
| ending stocks | 5 | 5 | 7 |
| total distribution | 86 | 97 | 108 |

## *ABOUT THE BULGARIAN POULTRY INDUSTRY.....*

### *1. SITUATION*

In 1997, Bulgaria entered a new phase in its political and economic life with the election of a Western oriented democratic government in April and acceleration of market reforms. The government's priority was to speed up privatization, attract foreign investment and continue economic stabilization. Inflation has dropped from more than 400% last January 97 to only 2% in May and the local currency stabilized for about four months. Prices and trade were fully liberalized in July which provided opportunities for expanding exports in the poultry sector.

Generally imports in 1996 were limited due to the devaluation of the local currency and decline in purchasing power. However due to the severe decline in poultry production, imports of poultry meat increased 6% compared to 1995. Despite consumption of all livestock products being at a relatively low level, imports of poultry products are expected to increase in 1998 because of the anticipated decline in production, liberalization of the trade regime and higher consumer purchasing power. Forecasts of poultry imports for 1998 are expected to reach 7,000 MT.

Currently, traders are actively looking for frozen whole chicken and chicken leg quarters, turkey cuts and chicken edible offal, mainly liver. According to industry sources the U.S. and Canada can continue to successfully compete in price and quality with suppliers such as Belgium, United Kingdom and Netherlands. Over the next three to five years, the poultry industry can recover if feed is available and farm-gate prices are sufficient to stimulate production. Farmers will also need to find sources to cover the cost of rebuilding stock. At least over the next two years, poultry imports will likely be required to cover domestic demand.

**Poultry Meat (in 000 metric tons)**

| | 1996 | 1997 (preliminary) | 1998 (forecast) |
|---|---|---|---|
| beginning stocks | 2 | 5 | 4 |
| production | 102 | 94 | 95 |
| whole, imports | 2 | 4 | 5 |
| parts, imports | 2 | 2 | 2 |
| intra EC imports | 0 | 0 | 0 |
| total imports | 4 | 6 | 7 |
| total supply | 108 | 105 | 106 |
| whole, exports | 8 | 5 | 5 |
| parts, exports | 0 | 0 | 0 |
| intra EC exports | 0 | 0 | 0 |
| total exports | 8 | 5 | 5 |
| human consumption | 84 | 86 | 88 |
| other use losses | 11 | 10 | 10 |
| total dom. consumption | 95 | 96 | 98 |
| total use | 103 | 101 | 103 |
| ending stocks | 5 | 4 | 3 |
| total distribution | 108 | 105 | 106 |

## *2. Production*

Bulgarians favor pork meat over all other types of meat. However, in 1995 and 1996 people have started to prefer chicken mainly due to its lower price in both household use and in restaurants.

**Production Problems**

Diseases: In 1995, there were several cases of pseudo plague and typhus. No significant diseases were reported in 1996.

Quality and Prices: As in 1995, production inefficiencies and the lack of feed produced smaller and tougher broilers than desired in 1996. This has prohibited Bulgaria from exporting chicken to Western markets. Currently, the price of domestically produced chicken meat is sold at equal or higher prices than imported meat but is of a lower quality.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 181,770 | 100,270 | 88,918 | 97,120 | 81,701 | 92,199 | 100,000 | 90,000 |

Source - FAO Data Base

## *3. Consumption*

Consumption of poultry in 1996 was revised downward based on the decline in purchasing power and higher prices of poultry products. In 1997 and forecasts for 1998 indicate a slight increase in consumption as average incomes are expected to rise gradually. Per capita consumption in 1996 was 9.3 kilos of poultry meat compared to 10.7 kilos in 1995.

## *4. Prices*

In 1996, farm gate prices remained low and unsatisfactory for producers. They lagged far behind inflation (more than 300% for 1996). However at the retail level, because of market inequities, prices were relatively high for consumers. In 1997, lower inflation and more predictability in the hard currency market, led to increased investment in the poultry sector. However, producers still had to purchase inputs at international prices (sometimes higher) and sell their products in competition with imported meat now that trade is more liberalized.

## *5. Exports*

In 1996, exports of poultry meat increased 53%. The major export destinations for broilers were the same as in 1995 - Georgia, Macedonia, Armenia, Ukraine and Greece. Export conditions were strong for Bulgaria due to the weak local currency and shrink in the domestic market. Approximately 92% of chicken meat exported was under HS#0207 12 900 or whole chickens without offal or so-called "65% chickens". No change in this trend occurred in 1997 and is expected to continue status quo in 1998. For turkey, 81% of exports were under HS#0207 27 100 or frozen unboned cuts. Exports declined in 1997 and should continue in 1998 due to the higher cost of Bulgarian chicken meat (export price ) compared to the international price and due to the lack of consistency in quality. Another reason for the forecasted decline in exports is that the local market should be more favorable than last year.

**Poultry Meat (in 000 metric tons)**

| | 1996 | 1997 (preliminary) | 1998 (forecast) |
|---|---|---|---|
| beginning stocks | 2 | 5 | 4 |
| production | 102 | 94 | 95 |
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| other use losses | 11 | 10 | 10 |
| total dom. consumption | 95 | 96 | 98 |
| total use | 103 | 101 | 103 |
| ending stocks | 5 | 4 | 3 |
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## *2. Production*

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|---|---|---|---|---|---|---|---|
| 181,770 | 100,270 | 88,918 | 97,120 | 81,701 | 92,199 | 100,000 | 90,000 |

Source - FAO Data Base

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**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 16,842 | 13,496 | 16,221 | 4,370 | 7,341 | 7,410 | 10,003 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 26,503 | 18,729 | 23,383 | 9,734 | 27,677 | 14,053 | 22,635 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 70 | 0 | 89 | 34 | 88 | 0 | 36 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 146 | 0 | 150 | 9 | 16 | 0 | 63 |

Source - FAO Data Base

**Specifically**

Bulgaria ranked 30th (1995) and 19th (1997) as Canada's most important export market, based on quantity exported. Canada did not export product to Bulgaria in 1996. The type of products exported were; turkey portions raw bone-in and whole eviscerated raw turkey. In 1995 Canada exported 91,190 kgs of product and 311,791 kgs in 1997.

**Sanitary Requirements**

There are no sanitary requirements reported by the Canadian Food Inspection Agency for Bulgaria.

## *6. Imports*

Imports of chicken increased in 1996 by 112% due to local shortages and high domestic prices. Turkey meat imports decreased 27% due to the switch in demand for chicken and due to its higher price compared to chicken. The largest chicken meat supplier to Bulgaria was the United States with a 40% market share overtaking Belgium at 24% and Greece at 20%. For turkey, the

major exporter is the United Kingdom (35% share) followed by the United States (19% ) and Belgium (23%).

The major imported poultry products were:

***for chicken***
HS# 0207 12 900 (65% chicken)
- 37% of total chicken imports
HS# 0207 13 600 (fresh and cooled leg quarters)
- 26% of total chicken imports (the U.S. holds 70% of this type of imports)
HS# 0207 14 910 (frozen chicken liver)
- 17% of total chicken product imports (the U.S. holds 90% of these imports)

***for turkey***
HS# 0207 27 100 (frozen unboned cuts)
- 25% of total turkey imports
HS# 0207 27 300 (frozen boned wings)
- 50% of turkey imports

Canada exported turkey portions, raw, bone-in (311,690 kgs) and whole eviscerated raw turkey (101 kgs) to Bulgaria in 1997,

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 100 | 392 | 5,897 | 4,918 | 3,915 | 4,316 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 120 | 337 | 3,457 | 4,562 | 3,900 | 3,075 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,626 | 480 | 1,746 | 2,950 | 3,686 | 3,035 | 1,280 |

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 16,842 | 13,496 | 16,221 | 4,370 | 7,341 | 7,410 | 10,003 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 26,503 | 18,729 | 23,383 | 9,734 | 27,677 | 14,053 | 22,635 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 70 | 0 | 89 | 34 | 88 | 0 | 36 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 146 | 0 | 150 | 9 | 16 | 0 | 63 |

Source - FAO Data Base

**Specifically**

Bulgaria ranked 30th (1995) and 19th (1997) as Canada's most important export market, based on quantity exported. Canada did not export product to Bulgaria in 1996. The type of products exported were; turkey portions raw bone-in and whole eviscerated raw turkey. In 1995 Canada exported 91,190 kgs of product and 311,791 kgs in 1997.

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- 26% of total chicken imports (the U.S. holds 70% of this type of imports)
HS# 0207 14 910 (frozen chicken liver)
- 17% of total chicken product imports (the U.S. holds 90% of these imports)

***for turkey***
HS# 0207 27 100 (frozen unboned cuts)
- 25% of total turkey imports
HS# 0207 27 300 (frozen boned wings)
- 50% of turkey imports

Canada exported turkey portions, raw, bone-in (311,690 kgs) and whole eviscerated raw turkey (101 kgs) to Bulgaria in 1997,

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 100 | 392 | 5,897 | 4,918 | 3,915 | 4,316 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 120 | 337 | 3,457 | 4,562 | 3,900 | 3,075 |

**Live Chickens Imported (1000's)**

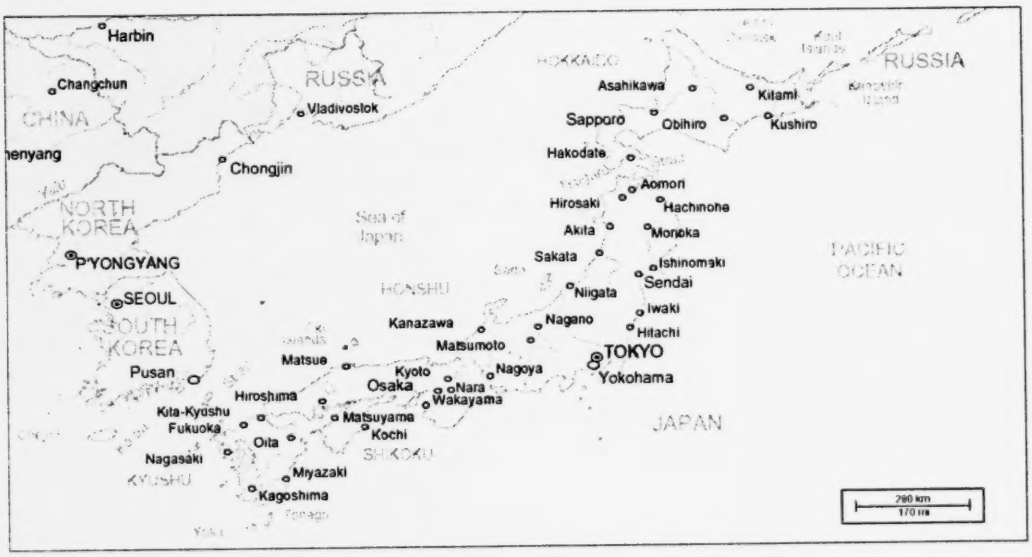
| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,626 | 480 | 1,746 | 2,950 | 3,686 | 3,035 | 1,280 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2,921 | 345 | 3,368 | 1,564 | 2,019 | 2,500 | 1,630 |

Source - FAO Data Base

# Japan




## Basic Information

| | |
|---|---|
| Land area: | 374 744 km2 |
| Population: | 125 506 492 (1996) |
| Total GDP: | US $4,590.4 Billion (1996) |
| Capital city: | Tokyo |
| Prime Minister: | Keizo Obuchi |
| Minister of Agriculture: | Shoichi Nakagawa |
| Canadian Ambassador: | Leonard Edwards |

## Canadian-Japan Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **2,099.787** | **2,445.112** |
| **Total Agri-Food Imports:** | **38.231** | **47.683** |
| **Agri-Food Trade Balance** | **2,061.556** | **2,397.429** |

## Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **2,099.787** | **2,445.112** |
| Canola seed | 618.596 | 876.475 |
| Non-durum wheat | 410.899 | 312.872 |
| Swine cuts, frozen | 175.754 | 236.745 |
| Malt, not roasted | 106.744 | 107.395 |
| Swine cuts, fresh or chilled | 38.586 | 100.886 |

# Japan

## Basic Information

| | |
|---|---|
| Land area: | 374 744 km2 |
| Population: | 125 506 492 (1996) |
| Total GDP: | US $4,590.4 Billion (1996) |
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## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **38,231** | **47,683** |
| Mandarin & clementine oranges | 7,172 | 6,890 |
| Raw tobacco, unmanufactured | 0,000 | 6,367 |
| Gelatin and products from animals | 3,629 | 3,720 |
| Food preparations | 2,635 | 2,815 |
| Animal feed preparations | 3,109 | 2,358 |

# Japan Agri-Food Imports

**Total Agri-Food Imports from the World (1995) : US $41.2 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Pork | 3,542,219 | Taiwan* |
| Beef | 3,154,978 | USA |
| Corn | 2,169,419 | USA |
| Cigarettes | 1,699,914 | USA |
| Soybeans | 1,297,269 | USA |

*** No more pork trade with Taiwan since 1997**

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **11,900,238** | **10,376,994** |
| Lumber, coniferous wood | 2,613,654 | 2,571,799 |
| Bituminous coal | 1,249,196 | 1,132,113 |
| Canola seed | 812,990 | 618,596 |
| Chemical woodpulp | 933,416 | 544,751 |
| Copper ores and concentrates | 570,278 | 424,203 |

## *ABOUT THE JAPANESE POULTRY INDUSTRY.....*

### *1. Current Situation*

Japan's consumption of poultry in 1998, including broiler, spent hen and other poultry meat, is forecast at 1,663,000 MT, down 2% compared to last year due to reduced retail sector consumption. Factors contributing to Japan's depressed retail demand for fresh/chilled poultry meat include the continued consumption shift from poultry to beef and fish, Japan's economic recession and poultry's safety image as a result of Hong Kong's bird flu issue during January and the recent vanomycin-resistant enterococcus (VRE) detections in French and Thai poultry meat.

Japan's poultry imports in 1998 are forecast to reach last year's level with poultry meat totaling 507,000 MT and broiler meat totaling 495,000 MT. Overall demand from the HRI/HMR sector, which absorbs a majority of imported poultry meat is expected to remain flat in 1998 compared to the previous year.

A timely series of news articles, reporting on food safety of the poultry industry, primarily by the U.S., contributed to positive market exposure and increased sales of their broiler industry.

### *2. Outlook*

Consumption of broiler meat, the largest portion of poultry meat consumption in Japan, is projected to decline to 1,540,000 MT, down 2% from last year's total due to reduced demand in the retail sector. Reduced sales of fresh/chilled domestic broiler meat continued during the first half of 1998. Sales of breast meat have been very poor compared to the stable sales of legs. This stagnant retail consumption situation has forced Japanese broiler farms to reduce output.

Japan's poultry production in 1998 is expected to decrease by 1% from last year's total and reach 1,210,000 MT. Larger than usual numbers of spent hens being shipped out from layer farms this year, amid an unprecedented consumption plunge in the egg market will partially offset a 2% decline in domestic broiler meat production in 1998 projected at 1,100,000 MT.

Japan's poultry imports in 1998 are forecast to reach last year's level, for the total poultry meat at 507,000 MT and for broiler meat at 495,000 MT respectively. Overall demand from the HRI/HMR sector, which absorbs a majority of imported poultry meat, is also expected to remain flat in 1998 compared to the previous year. Japan's 1999 poultry and broiler figures are forecast to mirror the picture of 1998, ie. a gloomy economic outlook continuing to limit the recovery prospects for Japan's poultry market.

## 3. Production

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 1,391,220 | 1,356,841 | 1,365,000 | 1,318,000 | 1,256,000 | 1,267,000 | 1,249,000 | 1,235,000 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 30 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |

Source - FAO Data Base

## 4. Exports

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 7,330 | 8,486 | 7,471 | 5,636 | 3,347 | 2,797 | 2,991 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 5,184 | 6,686 | 6,143 | 4,678 | 2,648 | 2,254 | 2,274 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 335 | 298 | 133 | 61 | 61 | 84 | 24 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 579 | 481 | 292 | 320 | 327 | 260 | 21 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 0 | 0 | 0 | 0 | 0 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 10 | 0 | 0 | 0 | 0 | 0 |

Source - FAO Data Base

**Specifically**

Canada exported 658,195 kgs of chicken in 1995 to Japan, 129,814 kgs in 1996 and 148,220 kgs in 1997. Products exported include; fowl portions raw, whole eviscerated raw turkey, whole eviscerated other poultry/pigeon, turkey portions raw boneless, turkey portions raw bone-in, other poultry portions raw, chicken skin, poultry bones, whole eviscerated raw chicken, prepared poultry roast, whole eviscerated fowl, cooked chicken bone-in, cooked chicken boneless, dried smoked cured duck products, frozen poultry dinners, other poultry smoked cured dried, poultry burgers nugget strips, cooked turkey bone-in and fresh/frozen ostrich. Japan ranked 12th (1995), 21st (1996) and 24th (1997) important export market for Canada in terms of quantity.

Source: Canadian Food Inspection Agency

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/japan.htm**

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## *4. Imports*

**Broiler Meat**

Broiler part imports in 1998 are projected to be unchanged from the previous year. The demand for imported broiler meat in the HRI/HMR sectors has been concentrated on bone-in and boneless frozen legs, but weak for breast parts. Sales of Thai and U.S. chicken have benefitted the most

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 0 | 0 | 0 | 0 | 0 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 10 | 0 | 0 | 0 | 0 | 0 |

Source - FAO Data Base

**Specifically**

Canada exported 658,195 kgs of chicken in 1995 to Japan, 129,814 kgs in 1996 and 148,220 kgs in 1997. Products exported include; fowl portions raw, whole eviscerated raw turkey, whole eviscerated other poultry/pigeon, turkey portions raw boneless, turkey portions raw bone-in, other poultry portions raw, chicken skin, poultry bones, whole eviscerated raw chicken, prepared poultry roast, whole eviscerated fowl, cooked chicken bone-in, cooked chicken boneless, dried smoked cured duck products, frozen poultry dinners, other poultry smoked cured dried, poultry burgers nugget strips, cooked turkey bone-in and fresh/frozen ostrich. Japan ranked 12th (1995), 21st (1996) and 24th (1997) important export market for Canada in terms of quantity.

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during the first half of 1998. During January to May 1998, Japan's total broiler meat imports stayed about the same as last year at 195,000 MT. Import figures for broiler meat in June were 46,600 MT up 2% from a year before.

Thailand and the United States regained some broiler part market share lost to rivals in the past. Thailand's competitiveness in the international broiler trade has increased tremendously during the first half of 1998 due to the devaluation of the baht against other major currencies since late last year. The devaluation is one outcome of Asia's outgoing financial crisis that is changing this year's chicken trade situation.

Projected import shares by major broiler suppliers in 1998 are; China at 38% (-4% from 1997), the U.S. at 22% (+2%), Thailand at 22% (+4%) and Brazil at 16% (-4%).

**Other Poultry (turkey and duck)**

Japan's imports in 1998 of other poultry meat such as turkey and duck, are projected to remain the same as last year at 12,000MT, assuming constant HRI/HMR demand. Duck meat will comprise 60 to 70% of total other poultry meat imported primarily from Asian countries. Duck meats use is featured in Chinese and western style dishes in Japan. For turkey meat, Japanese demand is limited to specialty retail HRI users.

**Prepared Chicken Products**

Following trends that have prevailed in the last 5 years, imports of prepared poultry products continued double digit growth in the first half of 1998. According to preliminary import figures for January to June, imports of prepared chicken products were +22% from last year, totaling 19,551 MT, with major suppliers being Thailand, China and the U.S.. The HMR is one of the few expanding and profitable segments of Japan's food industry and has driven imports of prepared poultry products in recent years. However, if the weak yen situation continues through the second half of this year, the import pace seen during the first half will slacken.

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 291,229 | 347,313 | 393,964 | 390,317 | 444,109 | 535,955 | 546,574 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 556,020 | 718,614 | 795,423 | 703,629 | 944,322 | 1,251,459 | 1,229,678 |

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|---|---|---|---|---|---|---|
| 556,020 | 718,614 | 795,423 | 703,629 | 944,322 | 1,251,459 | 1,229,678 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,008 | 1,223 | 1,293 | 1,865 | 1,407 | 1,600 | 1,638 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 9,216 | 11,238 | 11,152 | 12,913 | 11,689 | 12,649 | 12,447 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,860 | 1,482 | 1,304 | 1,103 | 902 | 1,126 | 1,012 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 4,431 | 3,827 | 3,304 | 2,653 | 2,301 | 3,125 | 2,509 |

**Duck Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 8,205 | 9,088 | 10,261 | 9,770 | 9,682 | 12,144 | 11,617 |

**Duck Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 35,509 | 39,036 | 47,978 | 44,618 | 42,532 | 56,202 | 55,064 |

Source - FAO Data Base

## 5. Market Sector Analysis

**Retail Situation and Outlook in 1998**

Very weak retail demand is forecast in 1998 for fresh/chilled broiler meat in Japan. The average household consumption of chicken meat in the first half of 1998 was reportedly down 6% in both quantity and expenditures, compared to the same period of last year. As a result, domestic broiler producers have been severely affected by the weak retail sales.

In recent years Japanese consumers are purchasing more ready to serve chicken dishes in the retail sector, coinciding with expanding HMR corners in major supermarket chains. Yakitori, fried chicken, Teriyaki chicken and steamed chicken are typical HMR dishes. For the retail HMR dishes previously mentioned, large volumes of imported, cost competitive generic broiler parts are used, partly explaining the continued performance of the sale of legs in the Japanese market this year. Furthermore, some prepared chicken sold in retail HMR sections, already processed abroad, has made inroads into this segment. The double digit import growth of prepared chicken products, in the first half of this year is partly attributed to strong retail HMR demand.

**HRI/HMR Situation and Outlook in 1998**

During 1998, HRI/HMR sector utilization of broiler parts is expected to remain flat. In the first half of 1998, fair HRI/HMR demand is reported for broiler meat by fast food, take out and convenience lunch stores, mostly utilizing non breast parts. However, more lethargic HRI demand is reported this summer for Yakitori and other chicken dishes. Yakitori consumption, coupled with the beer hall season, has been affected by the discouragingly long rainy season this past summer and by the economic slump. As a result, Japan's broiler imports for the reminder of the year are anticipated to reach at best, last year's level.

# Chile

## Basic Information

| | |
|---|---|
| Land area: | 748 800 sq. km |
| Population: | 14 333 258 (1996) |
| Total GDP: | US $74 Billion (1996) |
| Capital city: | Santiago |
| President: | Eduardo Frei Ruiz-Tagle |
| Minister of Agriculture: | Carlos Mladinic A. |
| Canadian Ambassador: | Lawrence Lederman |

## Canada-Chile Agri-Food Trade

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **164.291** | **91.526** |
| **Total Agri-Food Imports:** | **193.619** | **203.888** |
| **Balance of Trade:** | **-29.328** | **-112.362** |

## Canadian Top 5 Agri-Food Exports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Exports:** | **164.291** | **91.526** |
| Non-durum wheat | 126.186 | 54.389 |
| Durum wheat | 21.827 | 15.745 |
| Lentils, dried, shelled | 5.293 | 5.845 |
| Frozen french fries | 1.305 | 3.194 |
| Chewing gum containing sugar | 1.268 | 1.753 |

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## Canadian Top 5 Agri-Food Imports

| ($ Million CDN) | 1996 | 1997 |
|---|---|---|
| **Total Agri-Food Imports:** | **193.619** | **203.888** |
| Grapes, fresh | 77.328 | 77.194 |
| Grape wines < 2 litres | 22.339 | 25.954 |
| Grape wines, in bulk | 16.045 | 25.192 |
| Grape juice | 16.341 | 14.187 |
| Peaches & nectarines, fresh | 9.349 | 8.714 |

# Chile Agri-Food Imports

**Total Agri-Food Imports (1996): US $ 0.479 Billion**

| ($ Million US) | World | Top Supplier |
|---|---|---|
| Beef | 201.774 | Argentina |
| Non-durum wheat | 126.742 | Canada |
| Corn | 90.311 | USA |
| Oil cake | 59.236 | Argentina |
| Animal oils | 1.183 | Argentina |

## Canadian Top 5 Total Merchandise Exports

| ($ Million CDN) | 1995 | 1996* |
|---|---|---|
| **Total Merchandise Exports:** | **369.332** | **313.632** |
| Non-durum wheat | 24.589 | 126.189 |
| Parts for telephone lines | 10.623 | 26.237 |
| Bituminous coal | 24.375 | 23.468 |
| Durum wheat | 31.767 | 21.827 |
| Sulfur | 0.000 | 8.977 |

## *ABOUT THE CHILEAN POULTRY INDUSTRY.....*

### *1. Demand and Consumption Trends (1990-96)*

Since 1990 annual per capita poultry consumption has grown to surpass both pork and beef. Poultry consumption in Chile has grown 160% in the past six years, growing from 9 kilos to 23 kilos per capita. In Latin America, Chile ranks among the highest countries in per capita chicken consumption - 21 kilos. Chile's per capita consumption of turkey, about 2 kilos, is the highest in Latin America.

**Chile - Meat Consumption Per Capita (in kilos)**

| Year | beef | pork | poultry | chicken | turkey | other | total |
|---|---|---|---|---|---|---|---|
| 1990 | 18.9 | 9.4 | 9.1 | 8.6 | .3 | .2 | 38.9 |
| 1991 | 18.2 | 9.2 | 10.4 | 9.8 | .4 | .2 | 39.5 |
| 1992 | 17.1 | 9.9 | 16.0 | 15.1 | .6 | 1.6 | 44.5 |
| 1993 | 19.1 | 10.6 | 18.9 | 17.7 | .9 | .3 | 49.9 |
| 1994 | 20.3 | 11.4 | 21.4 | 19.6 | 1.4 | .4 | 54.2 |
| 1995 | 21.6 | 12.0 | 22.0 | 19.9 | 1.6 | .5 | 56.9 |
| 1996 | 21.8 | 12.4 | 23.4 | 21.0 | 1.9 | .5 | 58.8 |

According to the Poultry Producers Association, the increase in demand is primarily due to the increased buying power of the Chilean consumer, which has led to increased consumption of all meat products and to the decline in the retail price of poultry meat in the last five years. Previously, beef was the meat of choice, however upper income consumers prefer chicken because of its more uniform quality, including lower fat content. Lower income earners chose it because of its lower price.

Demand for dark meat is strong. As a result, retail prices for dark meat in Chile are high.

### *2. Domestic Production*

Seven major poultry producers control over 75% of the market. These companies are vertically integrated in their production, processing distribution and marketing of poultry products. Unlike companies in the beef industry, poultry producers may promote and market their products under their own brand names. Being relatively new to the business, poultry companies are using efficient and modern technologies.

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| Year | beef | pork | poultry | chicken | turkey | other | total |
|---|---|---|---|---|---|---|---|
| 1990 | 18.9 | 9.4 | 9.1 | 8.6 | .3 | .2 | 38.9 |
| 1991 | 18.2 | 9.2 | 10.4 | 9.8 | .4 | .2 | 39.5 |
| 1992 | 17.1 | 9.9 | 16.0 | 15.1 | .6 | 1.6 | 44.5 |
| 1993 | 19.1 | 10.6 | 18.9 | 17.7 | .9 | .3 | 49.9 |
| 1994 | 20.3 | 11.4 | 21.4 | 19.6 | 1.4 | .4 | 54.2 |
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**Market Share of Major Poultry Growers - (in %)**

| | |
|---|---|
| Agricola Ariztia | 23 |
| CODIPRA | 21 |
| Super Pollo | 19 |
| Agricola Vial | 15 |
| Sopraval | 4 |
| La Cartuja | n.a. |
| Pollos King | n.a. |

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 124,330 | 140,700 | 207,578 | 246,795 | 278,683 | 289,249 | 304,887 | 308,546 |

Source - FAO Data Base

Prices in the poultry sector in most major markets are almost identical for major suppliers. Price competition among producers is nominal. During the course of a year prices may rise and fall in tandem due to seasonal factors or changing international feed costs.

## *3. Trade and Competition*

Production and consumption of poultry meat are almost in balance because international trade is minor relative to supply and distribution

**Production and Consumption of Poultry Meat - (1,000 tons)**

| Year | Production | Consumption |
|---|---|---|
| 1990 | 124.4 | 117.8 |
| 1991 | 146.1 | 137.8 |
| 1992 | 219.6 | 212.5 |
| 1993 | 262.9 | 256.2 |
| 1994 | 304.7 | 294.7 |
| 1995 | 320.9 | 312.2 |
| 1996 | 334.3 | 337.1 |

Chile's imports of frozen, uncooked poultry meat are negligible due to phytosanitary regulations that enforce strict testing for salmonella. On June 4, 1997, the government issued a new regulation permitting the importation of cooked poultry meat. As a result, imports of high value, prepared poultry products, such as chicken wings, may gain a foothold in the market.

Chile exports a small amount of poultry to other Latin American countries including Peru, Argentina, Mexico, Venezuela, Guatemala and Ecuador. Current export shipments amount to $4 million (U.S.). Chile's exports face strong competition from exports from Brazil and the U.S.

According to the President of the Chilean Poultry Producers Association, Chile's association with Mercosur will challenge Chilean poultry producers to increase their efficiency. A recent study by Talca University (in Chile), economist Josi Diaz Osorio (June 1997) of the global competitivity of Chilean agricultural products in the Mercosur context, found that in the meats sector, the poultry industry is the one area where Chile has a competitive advantage over Mercosur countries.

**Competitive Position of Chile's Poultry Industry in Mercosur (Chile base = 100)**

| | Chile | Argentina | Brazil | Paraguay | Uruguay |
|---|---|---|---|---|---|
| Costs | 100.0 | 123.0 | 100.3 | n.a. | 110.4 |
| Yieids | 100.0 | 105.1 | 112.8 | n.a. | 133.3 |
| Total production | 100.0 | 216.7 | 1,162.3 | n.a. | 11.0 |

Approximately 65% of the poultry industry's feed needs are supplied locally. Corn is sourced primarily from the U.S. Because of market competition which tends to keep consumer prices relative stable, changing feed costs, primarily corn have a major impact on profit margins. Fish meal produced in Chile is a major source of protein for poultry rations.

Like the NAFTA, the Canada-Chile Free Trade Agreement excludes supply managed poultry and egg products and Canada retains its over-quota tariffs for these products while Chile retains its tariffs for the same commodities. Thus Canada does not export poultry products to Chile and views this country as a competitor in the export market.

## *4. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,473 | 8,309 | 7,479 | 6,508 | 8,712 | 6,778 | 7,506 |

**Market Share of Major Poultry Growers - (in %)**

| | |
|---|---|
| Agricola Ariztia | 23 |
| CODIPRA | 21 |
| Super Pollo | 19 |
| Agricola Vial | 15 |
| Sopraval | 4 |
| La Cartuja | n.a. |
| Pollos King | n.a. |

**Chicken Meat Production (MT)**

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|---|---|---|---|---|---|---|---|
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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 6,473 | 8,309 | 7,479 | 6,508 | 8,712 | 6,778 | 7,506 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 9,164 | 13,471 | 11,686 | 7,464 | 11,108 | 8,228 | 6,198 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 7,213 | 6,115 | 3,978 | 2,197 | 9,411 | 4,148 | 2,072 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 3,380 | 3,696 | 2,530 | 2,155 | 4,453 | 3,325 | 3,465 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 47 | 43 | 25 | 227 | 1,766 | 1,938 | 2,765 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 140 | 129 | 53 | 358 | 3,956 | 4,229 | 6,908 |

**Live Turkeys Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 14 | 0 | 0 | 43 | 112 | 187 | 241 |

**Live Turkeys Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 18 | 0 | 0 | 80 | 145 | 259 | 304 |

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/chile.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *5. Imports*

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 23 | 350 | 17 | 3 | 0 | 1 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 28 | 377 | 20 | 5 | 0 | 3 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 300 | 368 | 438 | 439 | 404 | 453 | 423 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,516 | 1,943 | 2,260 | 2,289 | 2,421 | 2,788 | 2,323 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 40 | 157 | 0 | 0 | 20 | 20 |

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| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 23 | 350 | 17 | 3 | 0 | 1 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 28 | 377 | 20 | 5 | 0 | 3 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 300 | 368 | 438 | 439 | 404 | 453 | 423 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,516 | 1,943 | 2,260 | 2,289 | 2,421 | 2,788 | 2,323 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 40 | 157 | 0 | 0 | 20 | 20 |

**Turkey Meat Imported VAL (1000$**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 64 | 167 | 0 | 0 | 84 | 84 |

**Live Turkeys Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 31 | 1 | 17 | 11 | 8 | 9 | 6 |

**Live Turkeys Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 87 | 11 | 120 | 76 | 66 | 74 | 95 |

Source - FAO Data Base

## *ABOUT THE SOUTH AFRICAN POULTRY INDUSTRY.....*

### *1. Introduction*

Up until 1993, the South African poultry industry enjoyed decades of strong growth. However, the industry suffered a setback in 1993 when production declined by 2.7% from 658,000 to 641,000 metric tons due to a widespread outbreak of Newcastle disease. During 1994, the industry recovered with production increasing by 4% to 667,000 tons. By 1995, the industry had recovered fully and production increased by 10% to 736,000 tons and by another 9.2% in 1996 to 804,000 tons and is expected to grow another 10% in 1997. Despite this remarkable recovery from the impact of the 1993 outbreak of Newcastle disease, South African poultry producers were complaining about imported poultry products. This complaint appeared to be mute due to the fact that demand is higher than local production combined with imports to meet South Africa's consumption of about 900,000 tons of poultry meat which is growing at an average of about 5% on an annual basis.

Another factor is the weak South African currency making imports more expensive. Since the second quarter of 1998, the South African currency (Rand) depreciated greatly against other international currencies. This scenario is putting a damper on imports as they become less competitive in this area. The currency fluctuation is a temporary measure, which will change with the changing economic situation in the country. Besides the currency fluctuations, chicken imports need to meet import requirements which are set by the South African Department of Agriculture's Veterinary Services.

Local producers have complained about lower prices for local consumers, many of whom are at the bottom of the country's economic ladder. These consumers have been able to afford a high quality protein source at relatively reasonable prices. The local industry should be happy with the production and consumption growth but the dormant price situation is the main cause of complaints as production costs are constantly increasing. The imports have thus not only expanded the market but have curtailed food price inflation.

The South African Poultry Producers Association submitted an application to increase the current import tariff due to depressed domestic prices for poultry products. The tariff, if granted, would push up the consumer prices of poultry products. The application to increase the tariff is on dark meat, especially turkey cuts from 0% to 27% and to adjust the 27% tariff on dark chicken cuts to a sliding scale depending on the F.O.B. price. Exporting countries have applied pressure to forestall the tariff increase.

The industry is confident that it can be internationally competitive over time as the impact of the free market for its inputs take hold. South Africa has freed up its agricultural marketing system which could see prices for inputs decrease in real terms over the next few years if climatic conditions continue to be favourable. The tariff application initially contained a provision for decreasing tariffs over time to allow the industry to become competitive. The future of the South African poultry market has depended on the outcome of the tariff application. The continued

depreciation of the Rand (currency) against major currencies is another factor. Still another factor is the prevailing concern about anticipated poor weather conditions which could push up feed prices again.

## *2. Production*

The South African Department of Agriculture compiles a poultry meat production estimate based on confidential information supplied by the broiler producers, suppliers of day old chicks, egg producers, etc. No other institution or group is able to give an estimate and for lack of other information, the estimate is generally accepted. The big gap between broiler and total production is explained by the strong traditional market for live mature birds such as spent hens. Poultry meat produced is mainly a by-product of another branch of the industry such as egg production or the breeding industry where the costs are not only borne by the meat sold. Turkey production is still considered to be insignificant.

Compared to other main broiler producing countries, a study undertaken by the National Productivity Institute of South Africa showed that South African broiler producers are not internationally competitive. This survey showed that the ready to cook cost per kg. increased from R4.70 in 1992 to 7.88 in 1996 (although there are no new figures available to make adjustment in terms of the current economic situations, the underlying principle is still valid).

According to South African poultry industry sources, the increases were a result of increases in the price of chickens, labour, feed and repairs and maintenance. This scenario suggests that South African broilers are struggling to break even. This cost structure indirectly makes imports competitive. That is why the South African government tries to protect the poultry industry against foreign competition.

**Commercial Production (in 000's metric ton)**

| **Product - supply** | **1995** | **1996** | **1997** | **1998 est.** | **1999 est.** |
|---|---|---|---|---|---|
| broilers | 549.0 | 602.0 | 663.0 | 690.0 | 701.0 |
| chicken product imports | 54.2 | 46.8 | 56.0 | 52.0 | 53.0 |
| supply | 603.2 | 648.8 | 719.0 | 742.0 | 754.0 |
| turkey product imports | 39.2 | 22.0 | 25.0 | 26.0 | 28.0 |
| Total poultry | 642.4 | 670.8 | 744.0 | 768.0 | 783.0 |
| Total red meat supply (includes beef, veal, pork and mutton and goat) | 675.8 | 670.3 | 615.0 | 640.0 | 643.0 |

The white meat industry must be seen in relation to the red meat industry, but the commercial production of red meat figures is more reliable than the total production figures. The following table shows that although South Africa is known to be a red meat eating country, since 1993 white meats have gained the major share of the meat market. This is attributed to chicken's price competitiveness against other types of meat. Also, as consumers are becoming health conscious (and chicken is believed to be healthy), there is a growing shift from red to white meat.

**Chicken Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 370,000 | 375,000 | 375,000 | 380,000 | 390,000 | 410,000 | 450,000 | 440,000 |

**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 662 | 662 | 662 | 662 | 662 | 662 | 662 | 662 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,880 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 |

Source - FAO Data Base

## *3. Production Policy*

South Africa is a signatory to the GATT and a member of the WTO. As well, the agricultural industry has been freed from the previous controlled agricultural marketing system. Poultry farmers are South Africa's biggest consumer of yellow corn. In 1996 the industry consumed 65% of all balanced rations in which milled yellow corn is used. The National Maize Producer's Association has joined the chorus for increased import tariffs on poultry claiming that every ton of poultry imported replaces two tons of yellow corn which could have been used in the domestic market. The contained corn price has also led to a stabilizing of mixed feed prices.

## *4. Consumption*

South African poultry meat consumption is estimated at more than 900,000 tons annually which is believed to be growing at about 5% a year. The demand situation thus exceeds domestic production capabilities. Although South Africa has been a red meat consuming country, more consumers are opting for white meat because of favourable prices. Since 1993 chicken

depreciation of the Rand (currency) against major currencies is another factor. Still another factor is the prevailing concern about anticipated poor weather conditions which could push up feed prices again.

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|---|---|---|---|---|---|---|---|
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**Duck Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 662 | 662 | 662 | 662 | 662 | 662 | 662 | 662 |

**Turkey Meat Production (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| 2,880 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 |

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consumption increased and passed red meat consumption in 1996. In addition because of its price competitiveness, chicken meat forms part of the diet of the majority of South Africans.

Compared to 1996, in 1997 South African chicken consumption increased by 9.3% from 869,000 tons to 958,000 tons and the consumption level for 1998 is estimated to increase by 5%. This limited growth is estimated because of the current economic scenario that has been caused by the global economic trends that are taking place in most of the emerging market countries in which South Africa is included.

Presently, the majority of South African chicken consumers fall in the lower to the middle income level. Since the formation of the government of National Unity, indications are that the majority of South Africans are currently entering higher income categories. This will result in the opening up of market opportunities. The consumption of chicken meat is also enhanced by the strategic situation of distribution outlets comprising mostly wholesalers, retailer supermarkets, meat markets and informal trade outlets. The wide distribution of trade outlets offers export poultry dealers and producers an opportunity of placing their products to South African consumers. In addition there are other independent importers that market their imported products to different outlets of their choice. The combination of the availability of distribution outlets and well maintained infrastructure gives export dealers an ease of entering the South African market. However, most of the existing local distributors already have contacts with export companies which therefore make it difficult for new traders who want to venture into this market to get credible distributors to handle their products.

**The total poultry meat situation is as follows:**

| **Poultry Meat** | **1996/97** | **1997/98** | **1998/99 est.** |
|---|---|---|---|
| production | 870,000 | 920,000 | 1,006,000 |
| imports | 80,000 | 76,000 | 82,000 |
| exports | 8,000 | 10,000 | 12,000 |
| consumption | 958,000 | 986,000 | 1,076,000 |
| per capita consumption in kg. | 20.2 | 23.6 | 25.8 |

According to sources in the industry it is assumed that 30% of domestic retail sales are sold frozen, with 50% sold as whole chickens, 25% in jumbo packs of 2kg and the remaining 25% in portions. Jumbo packs are the most widely bought component of chicken meat. In addition to domestic consumption, there are widely distributed fast food outlets that sell chickens and chicken products, some of these fast food outlets, like Kentucky Fried Chicken, Nandos and others, are expanding into townships and shopping complexes in rural areas. The combination of these factors indicates the growth underway the South African chicken market. Although it fluctuated in the years following 1993, chicken imports increased. The problem is that one of the major producers is apparently mainly geared to sell 60% of production as portions to the institutional market, where it is running headlong onto the imported competition.

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## *5. Exports*

**Chicken Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,781 | 1,676 | 3,176 | 7,474 | 3,882 | 923 | 1,900 |

**Chicken Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 3,625 | 4,041 | 5,341 | 10,928 | 5,957 | 3,655 | 1,896 |

**Live Chickens Exported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1,700 | 2,500 | 2,521 | 2,770 | 2,892 | 1,182 | 1,700 |

**Live Chickens Exported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 577 | 835 | 880 | 911 | 743 | 362 | 527 |

**Turkey Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 160 | 25 | 25 | 60 | 132 | 544 | 400 |

**Turkey Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 192 | 31 | 30 | 74 | 202 | 469 | 401 |

**Duck Meat Exported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 1 | 4 | 3 | 14 | 4 | 5 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 18 | 15 | 18 | 16 | 19 |

Source - FAO Data Base

**Sanitary Requirements**

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## *6. Imports*

South Africa is a net importer of both red and chicken meat.

Import Requirements:

South African authorities insist that imported chicken needs to comply with different veterinary requirements issued by the South African Veterinary Services. Importers are required to be in possession of an import permit issued by the Veterinary Services, the Division of the National Department of Agriculture. The permit outlines the conditions that need to be met. In addition to the compliance of import requirements, the Veterinary Services must certify plants before they can export to the South African market. Some of the requirements have to be met by the exporter before it is shipped. To ensure that chicken meets the conditions, it is inspected at the port of entry by animal health authorities as well as meat hygiene authorities. In addition to the above, chicken needs to be laboratory tested for Salmonella enteritidis. In addition to the previous, the meats need to be from a poultry flock which is certified free of Salmonella enteritidis and not from a flock in which the disease has been controlled. Also, the temperature of the product must not exceed -18 degrees Celsius during storage and transportation. In addition to complying with these regulations, there are also import duties.

In January 1997, the South African poultry producers applied to South Africa's Board of Tariffs and Trade (BOTT) to have tariffs on imported poultry products raised to 64% (present tariffs on chicken products are 27%, turkey products are free). After a number of submissions from South African importers opposing the general increase, the South African poultry producers have gone back to BOTT and reduced their request for tariff increases to two tariff codes representing frozen chicken cuts and frozen turkey cuts.

Under South Africa's World Trade Organization (WTO) commitments, the bound tariff rate for frozen chicken cuts is 116% and for frozen turkey cuts is 43.5%. Furthermore, South Africa agreed to a tariff rate quota (TRQ) for poultry products (products classified under HS0207) of 17,420 tonnes in 1995, rising to 29,033 tonnes in 2000. South Africa also committed to an in- quota tariff rate of a maximum of 20% of the bound rate for the specific product. Thus the TRQ for poultry products in 1997 is 21,291 tonnes with an in quota duty rate of 23.2% for frozen chicken cuts and 8.7% for frozen turkey cuts. South Africa has not implemented a TRQ for other poultry products. Its applied tariff rates for frozen chicken cuts is between the in quota and out- quota rates bound in their WTO schedules. As no TRQ has been implemented, the in-quota rate should be the ceiling for applied rates.

The present status of BOTT's recommendation on whether to raise the poultry tariffs has been submitted to the Minister of Agriculture, who has subsequently passed on his own recommendation to the Minister of Trade and Industry. A decision was expected by the end of this past August but no word has yet been received. The Canadian High Commission, along with representatives of other WTO members, has filed a protest, opposing the increase in tariff rates.

**Chicken Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 3,521 | 6,412 | 19,232 | 5,495 | 12,402 | 27,601 | 20,400 |

**Chicken Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 2,968 | 5,457 | 23,638 | 3,632 | 14,099 | 28,444 | 20,634 |

**Live Chickens Imported (1000's)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 94 | 91 | 730 | 364 | 1,840 | 3,078 | 4,383 |

**Live Chickens Imported (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 281 | 685 | 2,264 | 583 | 1,384 | 2,493 | 2,509 |

**Duck Meat Exported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 0 | 2 | 18 | 15 | 18 | 16 | 19 |

Source - FAO Data Base

**Sanitary Requirements**

Information on sanitary requirements as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/chap11/safrica.htm**

Information relating to the Annexes as reported by the Canadian Food Inspection Agency can be found at: **www.cfia-acia.agr.ca/english/animal/meat/mmop/contents11.html**

## *6. Imports*

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| 281 | 685 | 2,264 | 583 | 1,384 | 2,493 | 2,509 |

**Turkey Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 16540 | 17687 | 20298 | 21723 | 42526 | 39254 | 18679 |

**Turkey Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 14106 | 12701 | 15723 | 13569 | 34418 | 30056 | 15638 |

**Duck Meat Imported QTY (MT)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 33 | 0 | 3 | 52 | 257 | 89 | 110 |

**Duck Meat Imported VAL (1000$)**

| 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 121 | 0 | 19 | 95 | 233 | 204 | 291 |

Source - FAO Data Base

**Specifically**

The South African market was Canada's 3rd (1995), 4th (1996) and 5th (1997) most important market in terms of quantity of product exported. Canada exported 12,917,437 kgs in 1995, 10,911,277 kgs in 1996 and 3,794,264 kgs. in 1997. The type of products Canada has been exporting to South Africa include: mechanically deboned turkey, whole eviscerated raw turkey, turkey portions bone in, fowl portions, mechanically deboned chicken, turkey skin, chicken portions bone in, chicken skin, turkey portions boneless, whole eviscerated fowl, mechanically debone fowl. Total exported product from Canada to South Africa in 1997 was 3,769,264 kgs.

## *7. Marketing*

Chicken meat, like other agricultural industries, has undergone a transition from producer-controlled marketing boards to a free marketing system. The free marketing system in South Africa is being characterized by uncertainties in certain agricultural products. The broiler industry however, has been operating in a free market environment since the mid 1980's. As such producers and distributors are free to market their products to areas and institution of their choice. In

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addition, the 1997 season resulted in major changes in the agricultural sector. These changes resulted in the enactment of the New Agricultural Products Marketing Act which put in motion the agricultural market liberalization process. This resulted in the closure of marketing boards and the review of current marketing policies. As the marketing process is being reviewed, the existing marketing institutions are still in use. Although broiler marketing was not under a marketing law, its process was affected by the overall marketing environment that prevailed. As a result, the changed marketing environment is compelling institutions to review marketing policies and trade protocol to be in the line with the new marketing environment and adhering to WTO stipulations.

Also, exporting countries have actively been promoting product and the results are showing as the products are becoming well known and popular. Poultry is imported by a wide range of importers.

# *PART II: Export Programs*

## *Preface*

This section deals primarily with expenditures on export promotion and export subsidy programs that are being offered to the industry by governments in selected countries. Most agricultural exporting countries use public export promotion to enhance their position in foreign markets. As displayed in this section, in some countries , producers finance the bulk of the promotions, while in others the government is more active in financing the promotions. Some countries are more generous and flexible than others. Canada provides opportunities to our agriculture sector to further develop the export market. Our Canadian beef and pork sectors are successfully using and working with government to further develop exporting product. Clearly, Agriculture and Agri-Food Canada would be pleased to assist the Canadian poultry sector in further developing the export market, if requested. But first the Canadian poultry industry must face the challenge of determining whether it is ready and willing to work together to address exporting and if it wants government involved.

## *EXPORT PROGRAMS*

### *- Canada -*

The Canadian government funds agricultural export market development through a number of programs which are operated cooperatively between Agriculture and Agri-Food Canada (AAFC) and the Department of Foreign Affairs and International Trade (DFAIT) to benefit the agriculture, fishery and forestry sectors. Other Canadian government agencies and provincial governments also fund export market promotion. Federal and provincial export promotion funding for 1996/97 was estimated at $10.3 million. The Canadian Wheat Board, a Crown Corporation helps fund export promotions through the Canadian International Grains Institute. The Canadian government provides approximately $1 million to the Canadian Grains Institute. Industry funding for all export promotion is estimated at $13 million for 1996/97. Government, producer and industry funds totalled $24.4 million. The primary target areas for Canadian agricultural export promotions are the United States, Mexico and Asian countries (Japan, South Korea and ASEAN countries).

**Canadian Government Activities**

AAFC's Market and Industry Services Branch (MISB) takes the lead in developing Canada's agricultural trade. In 1993, industry, supported by federal and provincial agriculture Ministers, adopted a concrete export target for exports...to reach annual agri-food sales of $20 billion by the year 2000. This goal was exceeded in 1997. Since then, the Canadian Agricultural Marketing Council (CAMC) proposed that the agri-food sector adopt an export target of a 4% market share of global agri-food exports by the year 2005 (relative to a 3.2% share in 1996). All this was accomplished in spite of massive budget reductions. The Canadian government restructured its export promotion of agricultural products and increased funding for the promotion activities to help boost exports. AAFC also operates information, intelligence and analysis services for Canadian agricultural exporters, including an Internet Site, electronic trade leads and market assessment and advisory reports.

To be eligible for export promotion funding under any of several Canadian government programs private companies must participate through non profit agri food associations representing a majority of the exporters in a particular sector either on a national or regional basis. These associations must participate in the Agri Food Market Strategies (AIMS) process. Under AIMS, associations are required to develop a long term export market strategy that is reviewed by an interdepartmental Steering Committee co-chaired by AAFC and DFAIT. Branded promotion applicants require an export strategy acceptable to the AIMS Steering Committee which must demonstrate that the industry represented is being disadvantaged by brand promotions supported by the U.S. MAP program or similar programs of other exporting countries.

Export promotion funds are available through four main programs. Program for Export Market Development (PEMD) is administered by DFAIT for exports of all Canadian products, including agricultural products. AAFC administers three other programs dedicated to agricultural products;

Agri-Food Trade 2000 (AFT2000), the Post Initiated Agri Food Fund (PIAF) and the Regionally Initiated Agri Food Fund (RIAF).

PEMD is a financial risk sharing program which includes access to international market information and services in facilitating export links. Financial outlays are allocated as individual proposals are approved. If export sales result from a PEMD plan or mission, the companies are required to reimburse a portion of the PEMD contribution. Each agreement contains a repayment clause that stipulates the terms under which the applicant will repay the Government of Canada. One element of the PEMD is the Special Activities loan directed at agricultural trade associations. It is estimated that 60-70% of the PEMD agriculture budget is directed under the Special Activities Program. Activities by these associations must be for the benefit of their members and may include the generic promotion of the association's products or services. Funds allocated to trade associations are not repayable. PEMD provides financial assistance of 50% on selected travel, trade fair participation and other export and export promotion related costs. PEMD also includes a very small branded cost share promotion program.

AFC2000 is also a cost shared funding program aimed at helping Canadian agri- food industry associations carry out a wide range of marketing and trade activities. PIAF is a fund available to agri-food trade officers in foreign embassies to implement export promotion initiatives which cannot be paid for under other programs. RIAF is a fund for use by MISB's regional offices to support regional market development activities such as exporter seminars, trade missions and market research. For 1997/98, priority was given to activities to promote exports to the United States which were implemented most effectively at a regional level.

**Industry Promotions**

Some important commodity groups and organizations are active in export market development and fund their own activities. Others are covered, at least in part, by the federal PEMD umbrella. Producer and industry groups promote the following Canadian agricultural products in export markets: canola, flax, soybeans, pulses, special crops, pork, furs, beef dairy and livestock genetics, certified seed and wine and specialty beers. Forest products are promoted by the Council of Forest Industries.

Some industry associations maintain offices abroad. For example, the Canadian Beef Export Federation has offices in Tokyo, Hong Kong and Korea. Other associations have hired agents in a number of foreign countries who coordinate participation in food shows as well as organizing trade missions of potential buyers to Canada. Other organizations work through the local Canadian Embassies and Consulates.

The Canadian poultry industry has not fully capitalized on the funding opportunities like other meat sectors have, in developing the export market. Individual companies have accessed PEMD at one time or another in the past. The Canadian poultry sector has also received funding from the federal/provincial governments to undertake projects that were technical in nature and not export oriented.

## *EXPORT PROGRAMS*

### *- United States -*

The United States has a sophisticated agricultural export promotion system which operates world wide. It is a partnership between USDA's Foreign Agricultural Service and numerous non-profit private sector commodity and regional associations. U.S. government expenditures on these activities for 1997 amounted to a little over $135 million, while private sector contributions were nearly $176 million. Many of the industry activities are funded by producer/processor check offs which have been approved in a referendum by a majority of the affected industry. There is no information on promotional expenditures by private U.S. companies.

The United States is an attractive market for many agricultural products. Consequently a significant amount of competitors promotion expenditures, averaging 10%, is spent in the United States. For some countries, such as Canada, Brazil, India Argentina, Spain, New Zealand and Italy, the proportion of promotion expenditures devoted to the U. S. is as much as 25%.

**U.S. Promotion Activities**

The main U.S. agricultural promotion programs are USDA's Foreign Market Development Cooperator Program (FMD) and Market Access Program (MAP). USDA also provides a number of services to exporters through its overseas offices and its trade show and trade leads programs. Oth r programs provide technical assistance to develop, maintain or expand markets for U.S. agricultural exports in emerging markets and sponsor short term study and training programs in the U.S. for senior and middle level specialists and administrators involved in agricultural trade in foreign markets.

The goal of the FMD program is to develop, maintain and expand long term export markets for U.S. agricultural products. The program started in the mid 1950's, has fostered a trade promotion partnership between USDA and U.S. agricultural producers and processors who are represented by nonprofit commodity or trade associations called cooperators. Under this partnership, USDA and the cooperators pool their technical and financial resources to conduct market development activities outside the U.S. These cooperators compete for USDA funding annually based on their proposed activities. Groups which have been successful in expanding exports and contribute a substantial amount of their own funds are more likely to get increased funding. Only generic promotions are funded. There are 32 cooperator groups which received funding in 1997, covering a broad range of agricultural commodities. Half of the $27.5 million in U.S. government funding under FMD was spent on feed grains, wheat and soybeans. Most of the remaining funds went to forest products, meat, rice and poultry exporters. Japan, Western Europe, China and Mexico together accounted for half of the funded projects. Other Asia, the Middle East and Latin America accounted for most of the rest of the expenditures. Projects funded by the program generally fall into one of these categories; market research, trade servicing and technical assistance. Market research is often the first step to identifying market potential. Trade servicing activities are aimed at developing or improving relationships with the

trade. Technical assistance activities are usually intended to expand the foreign country's capability to use or process U.S. commodities.

The MAP program also helps U.S. producers, exporters, private companies and other trade organizations finance promotional activities for U.S. agricultural products. While it funds many of the same types of activities as the FMD, MAP is intended to be used for shorter term, consumer oriented promotions. It is primarily used for high value and processed products, while FMD is generally used for bulk products. The MAP program was originally started in 1985 as the Targeted Export Assistance Program. Since then, it has provided cost share funds to nearly 1,000 U.S. companies, cooperatives and trade associations to promote their products overseas. Branded promotions are permitted under MAP. Under the branded program, small businesses and cooperative receive preference for funding, however the promotion of a branded product in a single country is generally limited to five years. MAP applicants submit proposals for projects annually. These applications are reviewed and funds are allocated to proposals which best meet program requirements, including cost sharing, strategic planning, export goals and activity evaluations. 64 organizations received MAP funding in 1997. 18 of these organizations also participate in the FMD program. Substantial allocations were made for cotton, meat and forest products, as well as to the state regional organizations which assist small companies in their regions. Half of the $90 million provided through MAP was directed at the Japanese and European markets. Other Asian markets, the Middle East and Latin America were also major targets for MAP funded promotions. Most of the activities funded under AMP involve trade show participation, in store demonstrations and market research activities.

Other USDA promotion programs include participation in trade shows, collection and dissemination of buyers lists and trade leads to connect U.S. exporters and foreign buyers and sponsorship of U.S. promotion by U.S. embassies overseas. Promotions and trade shows are usually conducted in conjunction with FMD and AMP programs. Trade show costs are usually fully reimbursed by show participants. It is estimated that Cooperator organizations fund an additional $74-80 million in overseas promotions outside of the federally funded programs described here. In addition, many of these organizations conduct domestic promotions to encourage consumption of their products. Private industry also conducts overseas market promotion, but no information is available on those expenditures.

**Competitor Activity**

Available information indicates that foreign export promotion expenditures in the U.S. exceeds $95 million. The biggest single country expenditure is by New Zealand which spent more than $42 million or 19% of its total promotion expenditures in the U.S. The next largest expenditures were by Italy and Spain. Italy spent nearly $11 million or 16% of its total expenditures while Spain spent $8 million or 20% of its total expenditures. European Union member states spent nearly $31 million or 8.6% of their total expenditures, Australia spent nearly $6 million or 3% of their total expenditures. Nearly a quarter of Canada and India's export promotions, valued at $5.7 million and $3.2 million respectively were directed at the U.S. market. Argentina and Brazil also devoted more than 20% of their export promotion expenditures toward the U.S.

The U.S. is an important market for Canadian agriculture, accounting for nearly half of Canadian agricultural exports. In order to increase these exports, a U.S. Action Plan Team has been created to coordinate federal and provincial programs. The action plan includes the Federal and Provincial Ministers of Agriculture and a total of 200 professional staff located in all the provinces and in Canadian consulates in the U.S. The plan includes educational activities to increase the number of firms involved in exporting, market intelligence, market development and promotion and investment and alliance promotion. Market promotion activities include developing an annual trade show plan and exhibit for each U.S. regional market, incoming trade missions from the U.S., development of virtual national stands at U.S. trade shows, media kits for the U.S. press and selective in store retail promotions. Efforts are also made to conduct outreach to Fortune 500 companies.

## *EXPORT PROGRAMS*

### *- Brazil -*

Export promotion is becoming a higher priority for the Brazilian government as the value of the currency has stabilized and the market has become more open. While it is difficult to isolate expenditures on agricultural products from total expenditures, it is estimated that the portion of Brazilian export promotion budgets which applied to the agricultural sector amounted to $1.35 million in 1997.

**Government / Quasi Government Export Promotion Programs**

Export promotion activities in Brazil are the responsibility of the Department of Commercial Promotion (DPC), Ministry of Foreign Affairs (MRE). In addition to market promotion in other countries, the DPC/MRE is responsible for promoting investment opportunities in Brazil. DPC/MRE is responsible for promotion of capital or industrial goods as well as agricultural and food products. It plans and executes export promotion programs utilizing staff in 117 Sectors of Commercial Promotion (SECOM's) in more than 90 Brazilian Embassies and Consulates overseas. These programs include participation in overseas trade shows and the support of trade mission as well as training seminars on export promotion. DPC also provides market research, sector studies and statistical data on world markets for Brazilian products. The annual budget of DPC/MRE dropped from $10 million U.S. in the 70's to $3 million U.S. in 1996. For 1997 the Brazilian Government allocated $11.4 million U.S. for DPC activities, but private analysts believe that less than $6 million U.S. will be actually released due to budget restrictions. In 1998 the government plans to introduce a new National Program of Commercial Promotion. The details of this plan are still being worked out.

The Ministry of Industry, Commerce and Tourism (MICT) also plays a major role in the export promotion programs of the Brazilian Government, although its functions are more on the domestic side, such as identifying potential sectors that need export assistance, including financing, as well as preparing market studies and providing training.. MICT through the Office of Foreign Trade (SECEX) provides the following services: export logistics, export financing, export data, export/import directories, export insurance, total quality program and market information for Brazilian exporters. The estimated budget for MICT, directly allocated to export services and promotion is $5 million U.S., not including export financing.

Export promotion programs are also becoming the focus of some quasi government agencies, state promotion boards and other private sector associations. The most aggressive of these marketing organizations is the National Small Business Service (SEBRAE). A non profit organization, SEBRAE was established in 1990 and is financed by a deduction by the government of 0.3% of company payrolls. Delegates from the government and the private sector make up SEBRAE's National Deliberative Board. It is organized as a system, with its headquarters in Brasilia and 27 other units in each state. The agricultural sector is represented in the national board through the National Agricultural Confederation (CNA), similar to the Farms Bureau in the United States and by the National Industry Council (CNI), which represents the

Brazilian food industry. SEBRAE's goal is to increase the number of small and medium size companies involved in exporting to a level of 26,500 firms in the next two years. In view of this, SEBRAE is very aggressive in training, financing and subsidizing the participation of these companies in trade shows overseas, such as the ANUGA show. SEBRAE encourages companies to participate in such shows by providing a booth at low cost and subsidizing airfare. In addition to trade shows in targeted foreign markets, SEBRAE also participates with large pavilions in national foods shows. It also provides customized market research for small companies entering the export market.

Some state governments are beginning to play an increasing role in export promotion. Some of these governments maintain state export boards, which are basically financed by local governments to promote their products in selected markets overseas and by attracting foreign investments to that state.

**Producer / Industry Market Promotion Organziations**

Approximately 250 large Brazilian companies account for 85% of Brazil's total exports, including some large Brazilian food companies. Although the branded promotion programs remain as the primary focus of international market development activities of these companies, they are increasingly reorienting their policies to strengthen their trade organization to become more involved in market promotion and are pouring more resources into these activities. Traditionally, these organizations were charged with lobbying the federal and state government. Today, they are more concerned with market access for their products, providing technical and financial support to Brazilian trade negotiators to fight unfair competition and non tariff barriers.

The most active Brazilian export market development trade organizations are: the Association of Brazilian Oilseed Crushers, the Association of Brazilian Poultry Exporters, the Association of Brazilian Pork Exporters, the Brazilian Association of Beef Exporters, the Association of Brazilian Citrus Processors, the Brazilian Association of Food Industries, the Brazilian Association of Plywood Industry and the Brazilian Association of Supermarkets, the Brazilian Wine Industry Association and the Brazilian Coffee Exporters.

It is virtually impossible to obtain reliable financial data on these trade organizations' export market development expenditures. The best estimate available for 1997 spending in export marketing activities by industry association organizations is $1.9 million U.S.

**Export Financing Programs**

The Brazilian government offers a variety of tax and tariff incentives to encourage export production and to encourage the use of Brazilian inputs in exported products. In addition, the exemption of state value added tax (ICMS) on exports was finally extended to primary products, such as soybeans and other agricultural products on January 1, 1997. The semi processed and processed food products already benefited from the exemption of ICMS tax.

An export credit program, known as PROEX, established in 1991 gained new financial strength since 1996. Under the program, the Brazilian government provides interest rate guarantees to commercial banks which finance export sales, thus ensuring Brazilian exporters access to financing at rates equivalent to those available internationally. Most products eligible for financing under the PROEX program are capital goods, but some semi processed agricultural and food products can also be eligible. BNDES, the government national development bank is the primary Brazilian source for longer term credit. Since 1996 BNDES is becoming more aggressive in providing export financing for Brazilian firms. In 1996, BNDES released $390 million U.S. for financing export operations in general. It is estimated that only 20% were for agricultural and food products. During January - August 1997, BNDES already financed $612 million U.S. in exports. Finally, the Bank of Brazil, a quasi government bank is the principal arm of the federal government involved in commercial export financing. It is estimated that nearly $550 million loans for agricultural exports were made using government funds in 1997.

**Competitor Activities**

Brazil and other MERCOSUL countries are increasingly targeted for export promotion by competitor countries, particularly E.U. member states such as France, Germany, Great Britain, the Netherlands, Spain and Italy. These countries primarily use trade shows to promote their products. Many have held solo shows to promote both their manufactured and food products. Foreign participation in established Brazilian trade shows is also increasing. A major focus of European countries has been the use of diplomatic trade missions to increase interest in trading and investing in Brazil. These have included visits by government leaders such as French President Chirac in March 1997 and German Chancellor Kohl in September 1997, accompanied by huge contingents of business executives. Such activities are complemented by the E.U.'s initiative to negotiate free trade negotiations with MERCOSUL beginning in 1999. In the last two years European countries have made significant inroads into the Brazilian market.

Foreign countries, particularly Canada, also use reverse marketing trips, inviting Brazilian officials to visit the host country. This strategy is especially useful to familiarize Brazilian regulatory officials with host country practices and conditions to encourage acceptance for such products in Brazil.

## *EXPORT PROGRAMS*

### *- Mexico -*

The Mexican government does little export promotion. Services, such as buyers lists and overall market analysis are provided by the Mexican Commerce Ministry (SECOFI) and the Mexican Export and Development Bank (BANCOMEXT). Both SECOFI and BANCOMEXT have offices in seven of the largest cities in the United States which provide information and services to U.S. importers. They also support the participation of Mexican companies in U.S. fairs and trade missions.

**Competitor Activity**

Until 1986, the Mexican market was virtually closed to imports of most food and agricultural products. In the short time since the market has opened, imports of food and agricultural products have increased sharply. As a result of this growth, it is expected that most countries competing in the Mexican market will significantly increase their product promotion spending levels. Currently Canada, the United States, Australia, New Zealand, the E.U. countries, Argentina and Chile are competitors in Mexico. Grains, meat, fruits, dairy and processed products and forest products are the principal sectors where this competition is played out.

A number of countries participate in Mexico's meat market ie. Canada, the United States, Norway, Ireland, Costa Rica, Finland, Panama, Honduras, Guatemala, New Zealand and Australia. The Central American countries are seeking special access to the Mexican market for their beef products through their recent free trade agreements with Mexico. The European countries mainly use export subsidies to remain competitive. Australia, New Zealand and increasingly, Canada and the United States use export promotion through trade servicing as their main competitive tool. This includes trade team visits and translation and distribution of brochures and sale catalogues. Seminars and supermarket promotions are expected to become more common in the future. It is estimated that expenditures for meat promotion are $200,000 for Australia, $100,000 for New Zealand, more than $200,000 for the United States and $75,000 for Canada.

## *EXPORT PROGRAMS*

### *- Hong Kong -*

Hong Kong is not a significant agricultural producer, however it is one of the most commercially vibrant trading centres in the world. This highly competitive market is also viewed by the world as the gate way and the premiere business hub into the Asian market. It plays an important role as an international financial, communications and trading centre, serving the needs of the Asian region. Countries from around the world establish a presence there as a springboard for expansion into the various markets within the region.

Hong Kong is primarily a market for consumer foods, since there is very little livestock raised in this Special Administrative Region of China. Horticultural products, meat and processed products are the biggest agricultural import categories with oilseeds, dairy and grains imported in smaller amounts. Hong Kong is also a big importer of fish and forest products.

Nearly two thirds of its poultry imports come from the United States. China and Brazil can also be considered as major competitors for its poultry market, based on import statistics. Hong Kong's poultry imports are primarily feet and wing tips, rather than muscle meat and more than half is re-exported to China. This country's processed food market, fuelled by high disposable income and a well developed distribution system, is also very competitive.

Effective marketing campaigns including advertising of branded products, sample distribution and in store promotions are the main tools used to promote meat and processed products. Canada and Australia have the most active promotion efforts for beef and pork. The United States is also actively promoting the previously mentioned products but also conducts a very active poultry marketing campaign. The Canadian Consulate, on behalf of various Canadian businesses, conducts market research and arranges appointments for exporters to meet local buyers and sponsors Hong Kong buyers at Canadian food shows.

## *EXPORT PROGRAMS*

### *- China -*

China'S exports of agricultural, forestry and fishery products are an important component of overall trade. China does support the production and processing of major agricultural products directly and through support for investment projects, but does not have coordinated, focussed or centrally directed market development programs to expand exports of these commodities. Government export and promotion activities do occur at the country and provincial level (where most Chinese government expenditures take place). No estimates of national or local funding for market promotion are available.

Various government organization are often involved in China's export promotion efforts. The China Council for the Promotion of International Trade (CCPIT), its sub councils at the national level (including one for agriculture) and the provincial and municipal branches of these sub councils sponsor trade fairs in China and in foreign countries in order to attract investment and to promote exports, including agricultural and food items. CCPIT receives funding from the central government for its activities and the agriculture sub council is part of the Ministry of Agriculture.

At the provincial and municipal level, foreign trade commissions may be involved with export promotion activities. Normally part of the Ministry of Foreign Trade and Economic Cooperation, these commissions serve the interests of local governments. Local trade fairs and occasional trade missions to other countries are typical activities. The Canton (Guangzhou) Trade (Export) Fair, a twice yearly event, is one such venue for China's exporters of agricultural, food, fish and wood products to promote their items. Modelling the success of this export fair, other provinces in China are also establishing trade fairs for the sole purpose of exporting a wide variety of products, including agricultural, food and forestry products. Despite the recent reforms that have contributed to a more open market environment, state trading enterprises still dominate the agricultural, food and fibre sectors.

**Competitor Activities**

China is a major importer as well as an exporter of agricultural, food and wood products. Foreign competitors have stepped up their market promotion activities over the past few years in the Chinese provinces of Guangdong, Jiangsu, Hebei and others, including the cities of Beijing, Tianjin and Shanghai. This is most evident by the increased presence of E.U., Australian New Zealand, Canadian, the United States and Asian companies and government trade promotion agencies at food and beverage shows and timber expositions. High profile national pavilions at such shows often are government assisted. Competitors are also stepping technical and training programs in China or in their home countries aimed at encouraging Chinese purchases of their products.

Canada has put a considerable amount of effort into opening the Chinese market to Canadian livestock and meats. Protocols have been signed to permit imports of cattle and swine as well as beef and pork and poultry. The results, export of 10,000 head of Canadian beef cows to Inner

Mongolia over the next several years. Promotion activities for beef and pork have been increased in 1997 with the Canadian Beef Export Federation spending about $50,000 on trade shows, advertisements in trade journals and in store promotions. Canadian pork producers spent about $15,000. Canada recently set up an office in Shanghai to promote agricultural products in that region, similar to the USDA ATO office.

# EXPORT PROGRAMS

## - South Korea -

The Korean government carries out two main programs to support exports of agricultural products. One is a marketing program which subsidizes costs for Korean companies participating in trade shows. Expenditures for this program for 1997 are estimated at $3.5 million. The second program is a credit subsidy program. Both programs are executed by the Agricultural and Fishery Marketing Corporation (AFMC), a quasi government agency. Korea is one of the major markets for agricultural promotions. More than 16 competitor countries spent nearly $9.4 million promoting their agricultural products in Korea in 1996.

### Korean Promotion Activity

AFMC has participated in food exhibitions since 1988 in order to develop agricultural export markets. It participates in large food exhibitions such as Green Week and ANUGA in Germany, Foodex in Japan, FMI in the U.S. and SIAL in France. AFMC sources indicated that in 1996 a total of 508 companies participated in 17 major overseas food shows under Korean pavilions organized and sponsored by AFMC and made export contracts worth $141 million. AFMC organizes and recruits Korean food processors and provides them with free booths under the Korean Pavilion at food shows. Korean food processors cover all other expenses including travel and lodging. These companies normally exhibit traditional Korean foods and generally target Korean residents in foreign countries. Products promoted are primarily processed products. AFMC funding for theses activities is estimated at $3.5 million for 1997.

AFMC also provides credit of about $103 million to Korean exporters for periods of 3, 6 or 12 months to purchase raw agricultural products (primarily for products other than meat). More than 90% of agricultural products purchased with credit are exported to Japan. The credit is provided at an interest rate of 5%. The standard commercial rate is at least 11%.

### Competitor Activity

As a major importer, Korea attracts most of the major agricultural producing countries and their producers' and processors' promotions. It is estimated that more than 16 countries budgeted about $9.4 million for promotions in Korea. The U.S. tops the list for dollars spent promoting exports into Korea, followed by Canada that accounted for just under one quarter of the promotion expenditures, Australia (20%), New Zealand (18%) and Malaysia (13%). The E.U., Chile, China, Brazil and Indonesia compete less aggressively. Top commodities promoted by competitors are meat and poultry products, oilseeds and forest products.

Promoting meat, primarily beef are the Australian Meat and Livestock Corporation, who maintains a five person office in Seoul. The New Zealand Meat Producers Board and the Canadian Beef Export Federation also conduct similar but smaller promotion programs through their Korean offices. Poultry promotion is generally conducted by private industry in cooperation with Korean importers. The major competing countries are the United States, China, Canada, Thailand France and the U.K.

## *EXPORT PROGRAMS*

### *- Japan -*

As Japan is the largest net importer of agricultural, fishery and forestry products in the world, its export capability of such products is minimal. In the Japanese Fiscal Year 1997 (April 1997 - March 1998), it is estimated that the government of Japan will spend only $2 million to promote exports of agricultural products. There are no export subsidies, credit programs, transportation subsidies and tax and investment incentives in Japan. However, Japan's rank as top importer also makes it the top market for agricultural promotions by a host of countries. Competitors in this market spent more than $48 million on market promotion in Japan during 1997.

**Japanese Promotion Activities**

The government of Japan administers several relatively small projects with total expenditure level of just over $2 million to promote Japanese exports. The biggest project is the promotion of market development by sponsoring establishment of shops in foreign markets to conduct exhibitions, sales and market analysis. Another major program, with a budget of over $400,000, is export promotion through participation in trade shows, in store promotions and other public relations activities. These programs are generally conducted by local governments with financial support from the central government. A number of industry association conduct domestic market promotion to encourage consumption of Japanese meat, milk, chicken, strawberries and plums.

**Competitor Activities**

It is estimated that more than 20 countries planned to spend more than $48 million to promote their agricultural, fisheries and forestry products in Japan in 1997. More than one half of all promotion expenditures are attributed to Australia and the U.S., followed by much lesser expenditures by Canada, France, New Zealand, the Netherlands, Norway and many others. Meat and poultry account for more than one half the estimated expenditures by competitors in Japan, followed by dairy products, wine and processed foods. Canada, the U.S., Australia, New Zealand and E.U. summaries play large roles in making their countries' products known to Japanese consumers.

By far the single biggest competitor program in Japan is run by the Australian Meat and Livestock Corporation which maintains a staff of about 20 people with a budget estimated at $15-20 million. Its activities include advertising, sales, promotion and consumer and trade education. The Canadian Beef Export Federation operates a 3 person office with a budget of about $2-3 million. The New Zealand Meat Producers Board maintains a 2 person office in Tokyo and has a budget of about $1.5 million. Other significant competitors include Denmark, which spends about $2 million promoting its pork products and China, Thailand, Brazil and France which promote poultry and eggs. These countries also provide additional aid in the form of export tax refunds from China and Thailand and export subsidies from the E.U.. Brazil benefits from a preferential tariff rate for its eggs.

## *EXPORT PROGRAMS*

### *- The Netherlands -*

The Ministry of Agriculture, Nature Management and Fisheries is the only government agency promoting Dutch agricultural products with a 1996 budget estimated at %5.4 million U.S., the same level as in 1995. Almost half of the Ministry of Agriculture's budget is used to organize agricultural product exhibitions, primarily trade fairs, while advertising and in store promotions account for about 15%. Other activities include buyers' missions, trade contact meetings, market research and publications. There are dozens of other private and publicly supported trade organizations that carry out export market promotion activities. The total budget of these non-government organizations is estimated at $78.8 million U.S. for 1996.

**Dutch Export Promotion**

The promotional outlays by the marketing boards or industry associations are financed primarily through producer of processor check offs and levies. Dairy and horticultural products receive the majority of promotional support, reflecting the importance of these industries to the Dutch economy. While the bulk of the organizations' export promotions are aimed at other E.U. countries, organizations for meat, poultry, eggs and flowers conduct significant promotion campaigns in Asian countries as well.

The Information Bureau for Meat promotes the export of Dutch fresh and canned meats, as well as meat by products. The Product Board for Meat and Livestock obtains its funds through levies on animals as they are slaughtered. Most of its budget is used for generic promotion on Dutch meats. Trade missions are the most common form of promotions. Nearly all of its budget is spent in other E.U. member states, particularly in Germany.

**Competitor Activity**

Several E.U. member states, especially France, Germany and Italy have active food promotion campaigns in the Netherlands.

## *EXPORT PROGRAMS*

### *- France -*

France is a world class competitor in agriculture products and food processing and clearly intends to maintain that position. France's major promotion organizations include the Societe pour l"expansion des Ventes des Produits Agricoles et Alimentaires (SOPEXA) and the Centre Francaise du Commerce Exterieur (CFCE). In addition, the Compagnie Francaise d'Assurances pour le Commerce Exterieur (COFACE), France's export credit insurance agency, offers credit guarantees to exporters for market research and promotion, including participation in trade fairs in countries outside the E.U. Total French government allocations to export market promotion by SOPEXA for 1996 are estimated at $10.3 million U.S.; industry contributions to SOPEXA's international promotion budget totalled $50.1 million U.S..

**French Promotion Activity**

SOPEXA is a semi private organization owned by various French agricultural and food organizations and the Government of France. SOPEXA's funding comes from industry contributions (in some cases, generated from producer assessments) and the French government. SOPEXA's total 1996 budget for promotion in the domestic and international markets was $119 million U.S., including FF305 million, $60 million U.S.) For international promotion. The French government contributed 17.6% of SOPEXA's export promotion funds or $10.3 million U.S. The remainder of SOPEXA's export promotion funds come from commodity associations and food industry contribution.

SOPEXA represents first and foremost a worldwide network with offices in 33 countries. 65% of SOPEXA's international promotion funds are targeted to E.U. countries, including 25% for Germany and 20% for the United Kingdom. This percentage mirrors the percentage of French processed food exports to other E.U. countries. Other major markets are the United States (12%), Japan and other Asian countries (12%). SOPEXA is one of the few European promotion agencies to promote actively in Asia, including China. SOPEXA also maintains a delegation to the European Commission. SOPEXA's promotional activities include organizing in store promotions, media events, developing promotional material, organizing international exhibits, trade missions and seminars for the promotion of French wine and spirits, fresh and processed fruits and vegetables (including fruit juices and frozen foods), dairy products, fish and seafood, and meat and poultry products.

A number of industry associations conduct promotion activity domestically. They usually provide funds to SOPEXA for export promotion activities. These associations re funded by the contributions from their members and in many cases by the French government. Dairy and meat product promotion outside of the E.U. is directed mainly at Eastern Europe, although some activities were conducted in the United States during the year. SOPEXA spent approximately $2 million U.S. on trade shows in 1996.

CFCE is a quasi governmental organization established in 1943, with a mandate to increase French exports of industrial and agricultural products by providing statistical information, market studies and consulting services to French exporters. Within the CFCE, the Office of Food and Agricultural Products (DPA) is responsible for the expansion of agricultural exports. Markets targeted by CFCE in order of priority are: E.U. countries; OECD countries (non E.U. Europe, the Unites States, and Japan in particular); and Southeast Asia.

COAFACE, France's export credit insurance agency, offers credit guarantees to exporters for market research and promotion, including participation in trade fairs in countries outside the E.U. COFACE became a private company in 1994, but may continue to provide government assisted financing to riskier agricultural markets. In 1996 the French insurance group AGF became COFACE's leading shareholder.

Other French government programs provide assistance to the French food industry and indirectly to exports, but are not included as export promotion assistance. The French Ministry of Agriculture annually supports special market studies, new agribusiness development, consumer food/health studies and industry research and development, including the development of new food products which indirectly aid exports. The French Ministry of Agriculture also funds agricultural product promotions and certification policies by financing the INAO (French Office for Appellation of Origin).

**Competitor Activity**

Nearly all of the other E.U. countries conduct some form of market promotion in France. Countries that do not have export promotion agencies often use their local embassies to conduct their promotion activities. Non E.U. countries promoting agricultural products in France include; Canada, the United States, Norway, Israel, Morocco, South Africa, Argentina and Brazil. Argentina, Canada and the United States, promote a wide variety of products, including meat. Embassies are used to organize trade show participation and other types of promotion.

# *EXPORT PROGRAMS*

## *- South Africa -*

South Africa is the largest and most developed economy in Sub-Sahran Africa. Agriculture contributes only 6% to the South African GDP. Until recently, the bulk of South Africa's agricultural products were marketed through commodity boards. These have all been dismantled and are being replaced by producer cooperatives which are reorganizing as private sector companies. South Africa has also eliminated its direct export subsidies under the General Export Incentive Scheme (GEIS). The Department of Trade and Industry (DTI) still operates export market promotion programs and promotes exports through its overseas offices, however, most of its programs are for industrial rather than agricultural products.

### Government Programs

The DTI's principal market promotion program is the Marketing Assistance and Investment Assistance Scheme (EMIA). This scheme, with a 1997/98 budget of about S35 million, partially reimburses private companies and associations for expenses incurred in export promotion, research and in seeking foreign investment. It is primarily targeted at industrial companies. EMIA funds are also available to fund start up costs for export councils for specific industry sectors.

Other assistance available from DTI include a number of financing facilities to aid banks in financing exports or import of capital goods and services. Duty rebates are also available for raw materials used in manufacturing, processing or for export. DTI also provides advice, export promotion and trade servicing through its domestic offices and its overseas Economic Officers stationed abroad.

### Private Sector Activities

Prior to 1997 production and marketing of agricultural products was controlled by Agricultural Control Boards which were funded by compulsory levies on producers and processors. Most of these boards were abolished as of April 30, 1997, except for the Wheat Board which terminated on November 30, 1997. Most control boards are converting to non profit organizations which will not have access to compulsory levies and will have to compete with other such organizations. One former control board, the Cooperative Winegrowers Association of South Africa has become a private company and has reached an agreement with the Ministry of Agriculture to set aside funds to support South African wine industry activities, including export promotion, over the next ten years. Other companies have combined their overseas marketing efforts under one umbrella organization, Capespan which has its head office in London and other offices in Europe, the Far East and the United States.

Other South African private sector companies, like the South African Foreign Trade Organization (SAFTO) and commercial banks provide a wide range export assistance services. SAFTO, which originated as a service of DTI, provides consultancy services, international

market research, market and trade information, training and networking assistance for companies trying to become involved in exporting. Most of theses activities have recently been resumed directly by DTI and SAFTO has been closed down. The banks provide export financing, including credit guarantees and other assistance programs as well as export consulting services.

Canada, the United States, Brazil, France and the U.K. are the principal competitors trying to capture a share of the South African poultry sector. The E.U. and South Africa are in the process of negotiating a Free Trade Area which could enhance E.U. access to the South African market. Competitor countries also gather market information and sponsor trade missions to develop markets for their products in South Africa.